ANNUAL REPORT

2007/2008

Investissement Québec

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STATEMENT BY THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

I am responsible for the information contained in this annual report. This responsibility pertains to the reliability of the data and the related controls.

Investissement Québec's 2007-2008 annual report:
- faithfully describes the Corporation's mission, mandates and values;
- outlines the Corporation's objectives, indicators and results;
- presents accurate and reliable data.

I declare that the data contained in this annual report and the controls over such data are reliable and that they reflect the situation as at March 31, 2008.

Jacques Daoust
President and Chief Executive Officer

Québec City, May 27, 2008

CORPORATE PROFILE

OUR MISSION

Investissement Québec's mission is to promote the growth of investment in Québec and thereby contribute to economic development and job creation.

OUR ROLE

- To centralize and consolidate government initiatives to seek out, promote and support investment, and become the preferred channel for businesses.
- To foster domestic investment and attract investors from outside Québec. To promote Québec as a prime location for investment. To provide appropriate front-line services to guide investors effectively in their dealings with the government and offer them financial and technical support, directly or through our subsidiaries.
- To participate in the growth of businesses by facilitating research and development as well as export activities.
- To retain current investment by providing financial and technical support, directly or through our subsidiaries, to businesses in Québec that stand out for their drive or potential.

OUR VALUES

- Respect for our clients and staff, and honouring our commitments
- Integrity, ethical conduct and thoroughness
- Collaboration and diligence

OUR EXPERTISE

- We offer:
  - financial products that complement the products of financial institutions;
  - economic development tools and tax measures;
  - financial expertise to government partners;
  - consulting services to clients.
- We promote foreign investment in Québec.
- We have operations throughout Québec and abroad.
- We act locally, nationally and internationally.

OUR CLIENTS

- Local, national and international businesses

OUR PARTNERS

- Financial institutions
- Government departments and agencies
- Regional and sector-based associations
- Social economy and cooperative organizations

2007-2008 HIGHLIGHTS

FINANCING

- 1,580 financing operations to support 1,190 Québec and foreign businesses
- Authorized financing of $642.3 million in support of projects with a value of $2.9 billion that are expected to create 9,723 jobs and retain another 8,395[1]
- 88% of financing operations regionally authorized

INTERNATIONAL PROSPECTING

- 59 foreign investment projects, including 23 business set-ups and 36 reinvestment initiatives, with a total value of $1.3 billion

TAX MEASURES

- 178 initial certificates and 2,399 annual certificates issued to companies to qualify them for tax credits
- A new mandate of managing eligibility certificates for the tax holiday for manufacturing SMBs in remote resource regions

REGIONAL ECONOMIC INTERVENTION FUND (FIER)

- $89.7 million invested in Québec businesses through the FIER-Regions and Support Funds as at December 31, 2007
- Authorization by FIER Partners, L.P. of investments of $140 million in 10 sector-based funds as at March 31, 2008

1 According to business forecasts, project completion and job creation extend over a maximum period of three years, and job retention a maximum period of two years.

CLIENT SERVICE

- 97% of financial partners satisfied with their relationship with Investissement Québec
- 94% of clients satisfied with financing services rendered

FINANCIAL PERFORMANCE

- Net income of $37 million
- Equity of $549 million as at March 31, 2008
- Portfolio under management with a value of $7.2 billion as at March 31, 2008

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS

I was very pleased to accept the office of Chair of the Board of Directors of Investissement Québec last October. I am proud to make a contribution to this Corporation devoted to the economic development of Québec and to act as the custodian of its rules of governance.

When I took up my duties last fall, six new members joined the Board: Mathilde Carrière, Rita Lc de Santis, Louise Houle, Monette Malewski, Michael Ross, CA and Lorna J. Telfer. During the year, three directors left the Board—Yves Lafrance, Rosemonde Mandeville and Michel R. St-Pierre—and I would like to thank them for their contribution to the Corporation's success. I would also like to thank the members who stayed on with the new Board: Léopold Beaulieu, Gilles Demers, Mélanie Kau and René Roy. I owe a debt of gratitude to all the members of the Board for their efficiency and effectiveness in implementing the new rules of governance.

The Board is now made up of twelve directors, ten of whom are independent within the meaning of the *Act respecting governance*. It includes an equal number of men and women; Investissement Québec has complied with this provision of the *Act* several years prior to the requirement.

As part of its activities and, again, in accordance with the *Act respecting governance*, the Board reviewed the composition of its three mandatory committees: the Governance and Ethics Committee, the Audit Committee and the Human Resources Committee. These committees are made up solely of independent directors, as required. In addition, the new Chair of the Audit Committee is a member of the Ordre des comptables agréés du Québec. During the year, the Governance and Ethics Committee set to work on establishing the criteria used to assess the Board's performance and to develop the profile of future members. The Human Resources Committee, for its part, examined the question of compensation and mapped out the basic blueprint for its action plan.

The new Board of Directors of Investissement Québec met six times between December 4, 2007, its first meeting, and March 31, 2008. In this period, the Board

applied the new rules of governance and ensured that the action taken by the Corporation was in keeping with the priorities of its 2007-2010 strategic plan, approved by the government during the year.

This annual report contains new information on the work of the Board committees and on the compensation of independent directors, as required by the rules of transparency, integrity and accountability set out in the *Act respecting governance*. For the first time, the Corporation's financial statements were audited jointly by an external auditor and the Auditor General of Québec.

On behalf of the Board, I would like to congratulate the entire staff of Investissement Québec, the Corporation's management team and the President and Chief Executive Officer, Jacques Daoust, for the results achieved in fiscal 2007-2008. These results show that the Corporation was able to accomplish its mission while maintaining its profitability in a complex and changing economic environment.

Robert Cloutier
Chair of the Board of Directors

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Investissement Québec ended the 2007-2008 fiscal year by surpassing all the objectives set at the beginning of the period. These results are truly commendable in light of the context in which they were achieved. During the year, the manufacturing sector and forest industry were subject to considerable pressure. The economic landscape in North America and around the globe underwent significant change. The parity of the US and Canadian dollar, sluggish US economy, spike in the price of oil, rise in international competition and the commercial paper crisis all cast a shadow on the economic horizon.

The results achieved in fiscal 2007-2008 reflect the drive and talent of Québec entrepreneurs and the skill of the Corporation's employees who, together, were able to finalize growth projects creating wealth and jobs in all regions of Québec. Investissement Québec's *Corporate Resume*, which was published during the year, spotlights the Corporation's substantial expertise and has contributed to enhancing its visibility.

A LEADING DEVELOPER

During the year, the Corporation authorized 1,580 financing operations, 9% more than the previous period. Fiscal 2007-2008 was a record year in this respect, reflecting the Corporation's heightened collaboration with businesses. Through authorized financing of $642 million, Investissement Québec helped get projects worth a total of $2.9 billion off the ground. According to the forecasts of the businesses it supported, these projects should create 9,723 jobs and retain another 8,395.

Although global competition is fiercer than ever, the Corporation's prospecting efforts and international promotion of Québec helped it finalize 59 foreign investment projects—7 more than last year. The value of these projects, which should create 4,068 jobs, totalled $1.3 billion, exceeding our objective by 54%. The Corporation's performance in foreign investment coincided with a revision of our prospecting strategy and an increase in our activity in emerging countries.

In 2007-2008, Investissement Québec issued 2,577 certificates—23% more than the objective targeted for this component of our mission, which consists in managing tax measures designed to support different sectors of the economy. Our mandate was broadened this year, with the introduction of the new refundable tax credit for the development of e-business.

Investments of close to $90 million have been made by the FIER funds since they were created. The capital contribution for these funds is from private investors and a subsidiary, IQ FIER inc., created for that purpose. At present, 42 FIER funds are active; these funds are located all across Québec.

SUPPORT FOR THE FOREST INDUSTRY

The Corporation authorized 169 financing operations under the Support for the Forest Industry Program. This number, as well, is above target. Investissement Québec's contribution under the Program represented 40% of the value of the projects supported. With authorized financing of $150 million, the Corporation contributed to the implementation of recovery and growth projects totalling $377 million.

A PROFITABLE CORPORATION OFFERING APPRECIATED SERVICES

In 2007-2008, Investissement Québec achieved a net income of $37 million and financed its administrative expenses entirely from its operations. The Corporation's profitability is the result of constant effort to improve risk management.

The team at Investissement Québec has thus risen to the challenge issued by the Government of Québec in 2004—to self-finance its administrative expenses while fully accomplishing its core mission of economic development.

Investissement Québec's contribution to the economy is also reflected in the cost-benefit ratio of its financing activities. In 2007-2008, this ratio stood at 3.54/1. This means that for every dollar of cost the Corporation represents for the Government of Québec, the government collects $3.54 in tax and quasi-tax revenues attributable to the Corporation's activities.

Thanks to these excellent results, Investissement Québec played a larger role in the government effort to cut budget costs: it took responsibility for a large share—$8 million—of the risk traditionally assumed by the government in complementary financing. We intend to continue our efforts in this respect over the next fiscal year.

At the close of this year of intense activity, we are particularly proud of achieving a record number of operations while maintaining a very high level of satisfaction. Our clients' rate of satisfaction with our services remained steady, at 94%, while that of our partners reached a peak of 97%.

SUSTAINABLE DEVELOPMENT AT INVESTISSEMENT QUÉBEC

As a state-owned enterprise, Investissement Québec translates government orientations into action. As such, it decided to incorporate sustainable development issues into its operations so that economic development can foster environmentally-favourable social change. This annual report also serves as the Corporation's first sustainable development report: in it, Investissement Québec has followed the framework adopted by the Global Reporting Initiative (GRI)—a worldwide network that brings together government and non-government organizations concerned about measuring their sustainable development progress through a series of common indicators.

The Corporation's commitment to the principles of sustainable development will now be embodied in both its mission and its internal functioning. We are presently preparing a three-year plan setting out the action we intend to take to integrate these modern values into our everyday operations. We have similarly undertaken an initiative enabling us to adopt a socially-responsible financing policy.

A DYNAMIC CORPORATION KEEPING PACE WITH CHANGE

During the next fiscal year, we will continue to follow our 2007-2010 strategic plan, which provides for the implementation of an integrated services approach. This is a major endeavour, in which we are revising our processes in order to improve the quality and flexibility of our operations and reduce file handling times. The goal is to offer our clients better service all the time.

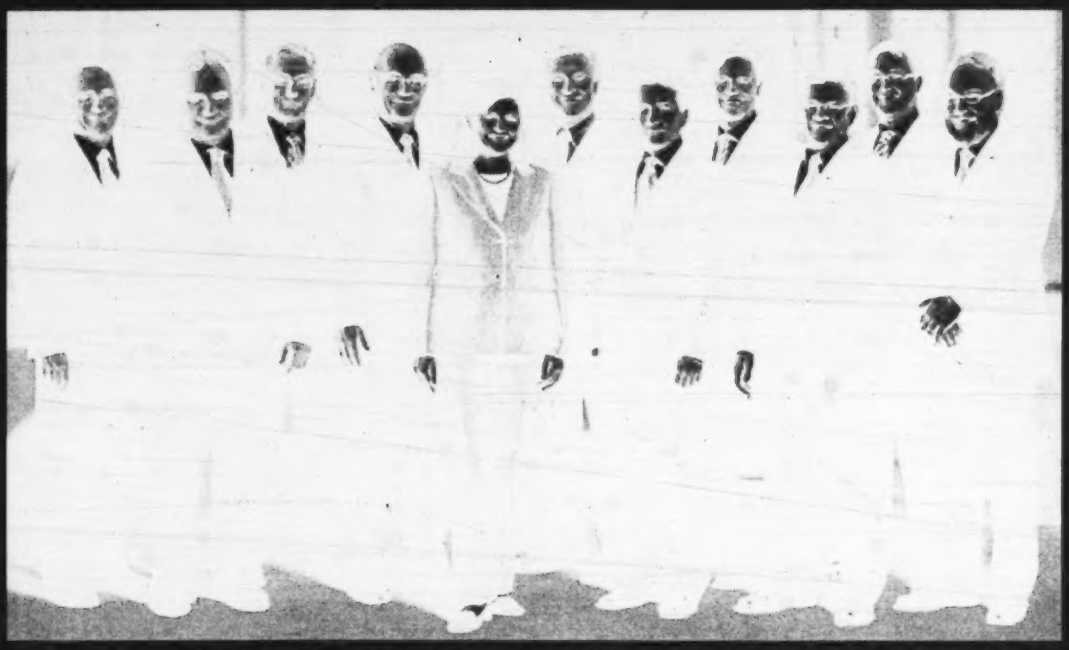
We also intend to maintain our profitability and improve our financial performance, in particular through sophisticated risk management allowing us to accomplish our mission while helping the Québec economy adapt to profound structural changes.

Thanks to the considerable expertise of Investissement Québec's employees, we will rise to these challenges and will continue to create wealth and jobs in all regions of Québec.

I would like to thank the government for its faith in the Corporation, the Board for its wisdom and the employees of Investissement Québec, who are the soul of our organization and the mainstay of its mission.

Jacques Daoust
President and Chief Executive Officer

MANAGEMENT COMMITTEE



From left to right: André Côté, Rodrigue Brillant, Michel Deschamps, Jacques Daoust, Louise Morin, Pierre B. Lafrenière, Yves Lafrance, Claude Dulude, Claude Carbonneau, Jean-Sébastien Lamoureux and Michel Guitard.

JACQUES DAOUST
PRESIDENT AND CHIEF EXECUTIVE OFFICER

ANDRÉ CÔTÉ
EXECUTIVE VICE-PRESIDENT, GENERAL ADMINISTRATION

PIERRE B. LAFRENIÈRE
EXECUTIVE VICE-PRESIDENT, CORPORATE AFFAIRS AND GENERAL SECRETARY

CLAUDE DULUDE
EXECUTIVE VICE-PRESIDENT, BUSINESS OPERATIONS

LOUISE MORIN
VICE-PRESIDENT, INTERNATIONAL AFFAIRS

MICHEL DESCHAMPS
VICE-PRESIDENT, CREDIT AND RISK MANAGEMENT

JEAN-SÉBASTIEN LAMOUREUX
VICE-PRESIDENT, INVESTISSEMENT QUÉBEC SUBSIDIARIES

RODRIGUE BRILLANT
VICE-PRESIDENT, HUMAN RESOURCES

YVES LAFRANCE
VICE-PRESIDENT, GOVERNMENT MANDATES

MICHEL GUITARD
VICE-PRESIDENT, COMMUNICATIONS AND MARKETING

CLAUDE CARBONNEAU
VICE-PRESIDENT, COOPERATIVES AND OTHER SOCIAL ECONOMY ENTERPRISES

REVIEW OF OPERATIONS AND RESULTS

STRATEGIC PLAN

This year, Investissement Québec completed the first year of its 2007-2010 strategic plan. The plan was created on the basis of extensive consultation with the members of the Board, senior management, and the Corporation's staff, clients and partners.

For the Corporation, this plan represents a key tool of governance. It serves both as a guide for and means of rallying personnel.

To be proactive and fully accomplish its mission, the Corporation acts on its strategic priorities as set out in the plan, i.e.:

- to support Québec businesses and foreign subsidiaries with operations in Québec so that they can secure their place in global value chains;
- to enhance Québec's ability to attract investment in fields where it is well positioned worldwide;
- to develop and implement an integrated services approach for Québec and foreign businesses as well as for its partners;
- to support the regions of Québec in the development of their niches of excellent and foster the diversification of their sectors of the economic activity;
- to ensure a balance between profitability and development.

The Corporation's action will be centred on three fundamental areas, which are defined in the plan:

- products and services;
- clients and partners;
- the organization.

The results for fiscal 2007-2008 are presented according to these three areas.

PRODUCTS AND SERVICES

RESULTS OF FINANCING ACTIVITIES

OVERALL RESULTS

In 2007-2008, Investissement Québec surpassed its financing objectives, authorizing 1,580 financing operations—the best results it has achieved in this respect since it was created in 1998. These operations represent a total of $642.3 million; they were awarded primarily in the manufacturing sector and were generally loan guarantees.

The Corporation reached its objective of supporting projects worth a total of $2.9 billion. These projects, located all across Québec, will help create 9,723 jobs, according to the forecasts of the businesses involved, and will retain another 8,395. The support granted will be used by these businesses to increase their productivity, tap into new markets, build on their know-how, become part of new global production chains, develop new products and adopt cleaner, more energy-efficient production processes.

These results are very satisfying, particularly since they were attained in an economic setting characterized by the strong Canadian dollar, high energy prices, stiff international competition and the slowdown of the US economy.

OVERALL RESULTS OF FINANCING ACTIVITIES

	2007-2008 Objectives	2007-2008	2006-2007
Number of financing operations	1,383	1,580	1,451
Financing authorized ($M)	570.5	642.3	860.0
Reported value of projects [1] ($M)	2,948.8	2,921.9	4,329.9
Number of new jobs reported [1]	n/a	9,723	10,959
Number of existing jobs [2]	n/a	59,809	65,597
Number of jobs retained [3]	n/a	8,395	10,722

(1) According to business forecasts, project completion and job creation extend over a maximum period of three years.

(2) According to the information provided by businesses.

(3) Jobs retained are full-time positions that would have been threatened with elimination were it not for the completion of company projects, usually within 12 months for SMB Financial projects and 24 months for large-scale projects (PASI or Specialized Financing). Determined according to the information provided by businesses.

RESULTS BY ADMINISTRATIVE REGION

Investissement Québec operates 16 business centres throughout Québec, which enables it to contribute more effectively to the economic development of each region. The regional breakdown of the financing it grants reflects the distribution of Québec's economic activity. Urban areas,[2] with an economic weight representing 64% of Québec's GDP,[3] accounted for 52% of financing operations approved in 2007-2008. Activity in Québec's central[4] and resource regions,[5] which generated 23% and 13% of Québec's GDP respectively, accounted for 31% and 17% of the Corporation's operations.

Montréal received the largest share of financing authorized by the Corporation, while the Montérégie and Saguenay–Lac-Saint-Jean regions obtained the second and third largest shares. Montréal's share, however, was less than the city's relative weight in the Québec economy, unlike the shares of the Montérégie and Saguenay–Lac-Saint-Jean.

AUTHORIZED FINANCING BY ADMINISTRATIVE REGION, 2007-2008

		Value ($M)		Reported Jobs [1]	
Administrative Region	Number of Financing Operations	Financing	Projects [1]	Existing [2]	New [1]
01 – Bas-Saint-Laurent	81	37.3	103.5	3,150	209
02 – Saguenay–Lac-Saint-Jean	104	70.2	157.3	3,730	452
03 – Capitale-Nationale	134	34.1	165.9	3,136	663
04 – Mauricie	25	7.1	55.3	1,506	65
05 – Estrie	82	26.8	95.1	3,541	442
06 – Montréal	335	148.2	640.8	15,879	3,420
07 – Outaouais	44	21.0	91.9	612	342
08 – Abitibi-Témiscamingue	16	7.9	36.3	408	28
09 – Côte-Nord	9	3.9	12.9	443	34
10 – Nord-du-Québec	3	1.3	3.4	27	2
11 – Gaspésie–Îles-de-la-Madeleine	34	5.0	33.6	904	92
12 – Chaudière-Appalaches	140	57.7	366.6	7,998	866
13 – Laval	63	18.3	74.7	2,452	312
14 – Lanaudière	76	13.5	79.6	1,714	399
15 – Laurentides	73	39.7	238.4	2,227	525
16 – Montérégie	287	113.5	528.7	9,584	1,582
17 – Centre-du-Québec	74	36.8	237.9	2,498	290
TOTAL	1,580	642.3	2,921.9	59,809	9,723
TOTAL – RESOURCE REGIONS	272	132.7	402.3	10,168	882

(1) According to business forecasts, project completion and job creation extend over a maximum period of three years.

(2) According to the information provided by businesses.

2 Urban areas include Capitale-Nationale, Montréal, Laval and the Montérégie.

3 According to "Gross domestic product (GDP) at basic prices by Québec administrative region, 2002-2006." Source: ISQ, Economic Accounts.

4 The central regions include Estrie, Outaouais, Chaudière-Appalaches, Lanaudière, Laurentides and Centre-du-Québec.

5 The resource regions are Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean, Mauricie, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec and Gaspésie–Îles-de-la-Madeleine.

RESULTS BY ECONOMIC SECTOR

In 2007-2008, 65% of Investissement Québec's financing operations were authorized in the secondary sector, 32% in the tertiary sector and 3% in the primary sector.

Financing operations in the primary sector soared by 55% this year. This increase is due to efforts made to support the consolidation of, investment in and modernization of forestry and forest operations companies.

The Corporation supported projects in the secondary sector worth a total of $2.3 billion through financing of $494 million. The financing awarded in the wood products and furniture industries rose, primarily as a result of operations carried out under the Support for the Forest Industry Program (PSIF). The value of financing in these two industries grew by 117% to $155 million, representing 24% of all financing granted during the year.

Investissement Québec continues to provide strong support for the growth of the food and beverage industry. The value of financing in this industry rose by 40%, while the value of supported projects doubled, to total $421 million. This increase is attributable mainly to the Corporation's support for a large-scale project.

In the tertiary sector, the Corporation supported businesses in the environmental restoration, recycling, tourism and IT industries. The financial operations granted in this sector accounted for one fifth of the total financing authorized.

AUTHORIZED FINANCING BY ECONOMIC SECTOR, 2007-2008

Economic Sector	Number of Financing Operations	Value ($M)		Reported Jobs	
		Financing	Projects [1]	Existing [2]	New [1]
PRIMARY					
Agriculture and fisheries	5	0.9	21.9	85	27
Forestry	39	8.9	18.4	1,618	219
Mining	1	2.4	22.5	27	0
SUB-TOTAL	45	12.2	62.8	1,730	246
SECONDARY					
Food and beverage	116	64.5	421.1	4,973	851
Rubber and plastic	60	20.3	101.8	2,179	245
Clothing, textile and leather industry	39	8.8	30.0	1,357	126
Wood products	185	140.5	359.6	8,540	924
Furniture	52	14.8	52.0	2,720	205
Paper	18	22.1	60.9	3,579	54
Printing	42	10.7	84.9	2,002	187
Primary processing metal and metal products	155	37.5	175.5	5,080	626
Machinery	109	33.1	153.9	3,754	423
Transportation equipment	39	65.1	455.3	6,090	1,065
Electrical and electronic products	82	31.3	141.9	3,248	893
Non-metallic mineral pr' cts	20	5.9	73.1	1,524	171
Refined oil, coal and chemical industry products	58	22.8	103.3	1,526	379
Various manufacturing industries	59	16.8	81.1	1,492	388
SUB-TOTAL	1,034	494.2	2,294.4	48,064	6,537
TERTIARY					
Professional, scientific and technical services	75	19.1	69.5	1,631	247
Design of computer systems and related services	122	36.1	132.4	2,494	490
Software publishing	58	14.3	58.7	858	366
Recycling, waste management and environmental services	33	7.9	47.5	582	122
Health care and social services	30	2.7	6.5	155	14
Lodging and food services	50	11.8	65.4	695	185
Various services	133	44.0	184.7	3,600	1,516
SUB-TOTAL	501	135.9	564.7	10,015	2,940
GRAND TOTAL	1,580	642.3	2,921.9	59,809	9,723

(1) According to business forecasts, project completion and job creation extend over a maximum period of three years.

(2) According to the information provided by businesses.

RESULTS BY FINANCIAL PRODUCT

Investissement Québec supports companies, cooperatives and non-profit organizations at all stages of their growth through its complementary financing products and economic development tools.

Complementary Financing

Investissement Québec offers SMBs financing that complements the financing available from lending institutions so they can carry out start-up, expansion, R&D, export, working capital growth and succession projects. Without this financing, there is good reason to believe that their projects might be smaller in scale or never get off the ground.

The results for the Corporation's complementary financing activities this year are comparable to those for last year. Investissement Québec authorized 983 operations totalling $296 million. This financing will support projects worth $956 million that are expected to create 3,751 jobs, according to business forecasts. Each operation, of an average value of $300,000, enabled the Corporation to support projects of an average value of $1 million–projects located in every region of Québec.

The value of authorized financing and projects increased in the Research and Development segment, but decreased in the Production and Alliance segment. It also rose in the Working Capital segment, despite the decline in the number of financing operations.

Economic Development Tools

The government assigned the Corporation responsibility for managing economic development tools, which include primarily financial incentive programs designed to increase investment in Québec. These incentives are intended for Québec businesses and for foreign companies that wish to carry out projects in Québec.

Authorized financing totalled $346 million this year and will allow businesses to invest nearly $2 billion in projects that are expected to create 5,972 jobs, according to business forecasts. These operations represent average financing of $580,000, and the average value of projects is $3.3 million.

All the objectives set for the Support for the Forest Industry Program (PSIF) were greatly surpassed, particularly when it comes to the number of authorized financing operations. This program, which has been administered by Investissement Québec since October 18, 2006, supports the consolidation of, investment in and modernization of forest sector businesses.

The Strategic Support for Investment Program (PASI) was extended for three years by the Government of Québec in June 2007. The Corporation achieved its objective of 26 financing operations. The value of supported projects totalled $858 million.

The objectives for the Immigrant Investor Program were also surpassed. This program enabled the Corporation to support projects worth $664 million.

AUTHORIZED FINANCING BY FINANCIAL PRODUCT, 2007-2008

Financial Product	Number of Financing Operations		Value ($M)		Reported Jobs	
	Objectives	Authorized	Financing	Projects [1]	Existing [2]	New [1]
SMB FINANCIAL						
Production and alliance	192	197	75.4	214.0	6,356	1,015
Research and development	343	359	88.5	385.6	7,002	1,138
Exports	169	207	70.3	172.9	5,093	508
Working capital	44	42	19.7	35.4	2,414	811
Succession	30	27	11.4	55.8	926	58
Experimentation measures	7	2	3.0	16.1	182	20
SUB-TOTAL	785	834	268.3	879.8	21,973	3,550
SPECIFIC PROGRAMS						
Group entrepreneurship	75	79	20.6	44.2	1,153	151
Capitalization of social economy enterprises	64	59	2.0	13.6	218	23
Economic Projects Support Program (PSPE)	20	11	5.5	18.6	231	27
SUB-TOTAL	159	149	28.1	76.4	1,602	201
TOTAL – COMPLEMENTARY FINANCING	944	983	296.4	956.2	23,575	3,751
ECONOMIC DEVELOPMENT TOOLS						
Immigrant Investor	349	399	62.3	663.7	15,788	3,081
PSIF	64	169	149.6	376.7	9,960	1,200
PASI	26	26	106.3	857.8	7,914	1,691
Government mandates	-	1	14.4	14.4	2,572	-
Buyer-credits	-	2	13.3	53.1	-	-
TOTAL – ECONOMIC DEVELOPMENT TOOLS	439	597	345.9	1,965.7	36,234	5,972
GRAND TOTAL	1,383	1,580	642.3	2,921.9	59,809	9,723

(1) According to business forecasts, project completion and job creation extend over a maximum period of three years.

(2) According to the information provided by businesses.

RESULTS BY TYPE OF FINANCING OPERATION

Investissement Québec has a variety of financial solutions to support the development of businesses. Loan guarantees are the most widely used tool and enable businesses to obtain loans from private financial institutions more easily. This year, loan guarantees represented 44% of financing operations and 35% of the value of authorized financing.

Slightly more than a quarter of the financing operations authorized by the Corporation were non-repayable or conditional repayable financial contributions and interest payments; 91% of this financing was granted under the Immigrant Investor Program, which enables the Corporation to use revenues generated by investments made by immigrant investors to support Québec-based SMB projects rather than relying on government funds. The program is managed by IQ Immigrants Investisseurs inc., a subsidiary of Investissement Québec, under a tripartite agreement with financial intermediaries and the Ministère de l'Immigration et des Communautés culturelles.

BREAKDOWN OF FINANCING BY TYPE OF OPERATION, ACCORDING TO NUMBER AND VALUE AUTHORIZED, 2007-2008

Type of Financing Operation	Number	(%)	Value ($M)	(%)
Loan guarantee	688	43.5	223.3	34.7
Financial commitment guarantee	174	11.0	72.0	11.2
Loan	198	12.5	154.0	24.0
Equity loan	17	1.1	5.0	0.8
Interim loan	2	0.1	0.5	0.1
Interest-free loan	63	4.0	90.6	14.1
Contribution repayable from royalties	1	0.1	1.0	0.2
Non-repayable or conditional repayable contribution and interest payments	437	27.7	95.9	14.9
TOTAL	1,580	100.0	642.3	100.0

FOREIGN INVESTMENT PROSPECTING

PROSPECTING ACTIVITIES

In 2007-2008, the Corporation honed its prospecting strategy in order to target businesses with better investment potential. During the year, it met with 200 subsidiaries of foreign companies operating in Québec and 147 foreign companies based abroad. It hosted 194 missions by foreign investors, and submitted 176 proposals[6] to prospective investors around the world.

The Corporation actively covered the Americas, Europe and Asia. It stepped up efforts aimed at emerging countries such as Brazil, China and India.

In addition to the results achieved in 2007-2008, the action taken this year will have an impact in the years to come.

RESULTS

Investissement Québec's prospecting activities helped finalize 59 foreign company projects worth $1.3 billion in 2007-2008. These projects are expected to create more than 4,000 jobs. In all, 23 subsidiaries of foreign firms will open for business in Québec, and 36 others will expand. The value of reinvestment projects by subsidiaries already operating in Québec totalled $1.1 billion.

FOREIGN INVESTMENTS

	2007-2008 Objectives	2007-2008	2006-2007
Number of projects [1]	n/a	59	52
Reported value of projects ($M)	850.0	1,310.8	960.4
Number of new reported jobs [2]	2,700	4,068	6,726

(1) Prospecting objectives were based on project value rather than number.

(2) According to business forecasts, job creation extends over a maximum period of three years. To avoid double counts, these jobs must not be added to jobs resulting from financing operations.

The results for 2007-2008 reflect the efforts made with respect to manufacturing companies. The main investments were made in the pharmaceutical and chemical sectors. These sectors represent respectively 27% and 23% of the total investment.

The investments announced in 2007-2008 are from 15 countries, including the United States, France and the United Kingdom, which generated respectively 34%, 15% and 10% of investment projects as well as 40%, 7% and 17% of reported jobs.

The emphasis placed on high-potential manufacturing subsidiaries resulted in a broader geographic distribution of projects than last year. Projects were carried out in nine administrative regions of Québec.

6 Documents supporting prospecting activities and outlining Québec's comparative advantages.

BREAKDOWN OF FOREIGN INVESTMENT BY ADMINISTRATIVE REGION

Administrative Region	Number	Value ($M)	Reported Jobs [1]
03 – Capitale-Nationale	3	210.0	650
04 – Mauricie	1	1.8	93
05 – Estrie	5	74.5	530
06 – Montréal	26	184.5	1,695
12 – Chaudière-Appalaches	1	20.6	15
13 – Laval	5	89.7	119
15 – Laurentides	6	213.4	416
16 – Montérégie	8	346.6	400
17 – Centre-du-Québec	4	169.7	150
TOTAL	59	1,310.8	4,068

(1) According to business forecasts, the jobs were created recently or will be created over the next three years. To avoid double counts, these jobs must not be added to jobs resulting from financing operations.

PROMOTIONAL ACTIVITIES

Investissement Québec implemented a communications and marketing plan targeting investors in priority sectors to support its prospecting activities abroad. This integrated approach focused on the aerospace, life sciences and multimedia sectors.

The year was highlighted by the Corporation's increased visibility at events to promote Québec's advantages among its international clients. Investissement Québec was active at the International Paris Air Show – Le Bourget in France, HeliExpo in Houston and BIO 2007 in Boston. Special efforts were made to promote the multimedia and electronic games sector with a major presence at the Game Developers Conference in San Francisco, the Tokyo Game Show and the Montréal International Game Summit.

The Corporation welcomed some 10 journalists from abroad, who published several stories on Québec's advantages in the international media, including the major British magazine *Develop* and *Foreign Direct Investment*. The Montréal International Game Summit provided an opportunity to receive journalists from the United Kingdom and Japan, who provided extensive coverage of the event.

The Corporation also made a point of combining public affairs activities with prospecting meetings for international clients. These included exclusive Cirque du Soleil and Grands Ballets Canadiens Tapis Rouge events for businesspeople in New York, Boston and Dallas.

Investissement Québec published four issues of *Invest-Québec*, its quarterly newsletter on international investment. Available in French and English, the newsletter is distributed to over 5,000 clients around the world and nearly 1,250 electronic subscribers.

TAX MEASURES

Investissement Québec administers various tax measures designed to increase research and development projects, technological innovation, job creation and economic development in the regions as well as the large urban centres. Its role is to evaluate eligibility applications, issue certificates to businesses that meet the criteria for tax assistance, and to promote the different measures. These measures target several sectors including biotechnology, multimedia, and the manufacturing and processing of certain natural resources.

In 2007-2008, Investissement Québec issued 178 initial certificates primarily for multimedia titles and regional programs, surpassing its objective by 78%. The businesses that benefited from these measures expect to create 3,912 jobs, i.e., 44% less than the 6,948 jobs announced in 2006-2007. The Corporation recorded an overall decrease in the number of new eligibility applications and jobs created in the new economy sector, since several tax measures intended for this sector were eliminated in the Budget Speech of June 12, 2003.

The Corporation issued a total of 2,399 annual eligibility certificates for all the different measures, i.e., 20% more than the objective set at the beginning of the year.

Thanks to the tax measures administered by the Corporation, eligible businesses were able to benefit from a total of $340 million in tax credits in 2007-2008.[7]

TAX MEASURES

	2007-2008 Objectives	2007-2008	2006-2007
New certificates	100	178	203
Number of annual certificates	2,000	2,399	2,479
Reported jobs due to new certificates [1]	n/a	3,912	6,948

(1) According to business forecasts, these jobs were created recently or will be created over the next three years. To avoid double counts, these jobs must not be added to jobs resulting from financing operations.

7. Ministère des Finances, Tax Expenditures, 2007 Edition: Table A.7, Projection 2007, pages A.56 and A.57.

CERTIFICATES BY TAX MEASURE

Tax Measures	New Certificates		Annual Certificates
	Number	Reported Jobs [1]	Number
Tax Measures Intended for Designated Sites			
Information technology development centres (CDTI) [2]	–	–	20
Biotechnology development centres (CDB)	3	35	18
New economy centres (CNE) [2] [3]	5	19	407
E-Commerce Place (CCE)	–	–	13
Montréal Foreign Trade Zone at Mirabel (ZCIMM) [2]	–	–	6
Tax credit for major employment-generating projects (GPCE)	4	779	–
Cité Multimédia de Montréal (CMM) [2]	4	–	138
Centre national des nouvelles technologies de Québec (CNNTQ) [2]	1	–	107
SUB-TOTAL	17	833	709
Tax Measures Based on Payroll Increase			
Tax credit for the Aluminum Valley (ALU)	8	407	111
Tax credit for processing operations in resource regions (RR) [4]	80	2,131	1,336
Tax credit for the Gaspésie and other maritime regions of Québec (GAS)	6	541	104
E-business activities (ZCE) [2]	1	–	34
Tax credit for innovation centres (CI) [2]	–	–	9
SUB-TOTAL	95	3,079	1,594
Tax Credit for the Production of Multimedia Titles [5]			
Specialized segment	–	n/a	16
General segment	65	n/a	79
SUB-TOTAL	65	n/a	95
Tax Holiday for Manufacturing SMBs in Remote Resource Regions (CFRR)	1	–	1
GRAND TOTAL	178	3,912	2,399

(1) According to business forecasts, these jobs were created recently or will be created over the next three years. To avoid double counts, these jobs must not be added to jobs resulting from financing operations.

(2) Credits eliminated in the Budget Speech of June 12, 2003.

(3) The Corporation records job-related data for the CNE measure when a company expands in another CNE. However, certificates issued in relation to a corporate reorganization do not result in job creation.

(4) When the Corporation issues a certificate following a corporate reorganization for a company benefiting from a tax measure in a resource region, it does not take jobs into account as they have been recorded previously.

(5) Tax credits for the production of multimedia titles are not based on job creation. Thus, there is no figure in the Reported Jobs column.

Businesses that benefited from tax assistance for the first time in 2007-2008 are located all across Québec. It is interesting to note that more than 54% of businesses newly qualifying for tax programs are from the resource regions, where 74% of the new jobs reported by companies will be created.

NEW CERTIFICATES BY ADMINISTRATIVE REGION

	New Certificates		Annual Certificates
Administrative Region	Number	Reported Jobs [1]	Number
01 – Bas-Saint-Laurent	18	431	343
02 – Saguenay–Lac-Saint-Jean	39	938	545
03 – Capitale-Nationale	2	–	137
04 – Mauricie	15	536	367
05 – Estrie	3	–	52
06 – Montréal	63	779	277
07 – Outaouais	1	15	24
08 – Abitibi-Témiscamingue	8	210	151
09 – Côte-Nord	6	157	68
10 – Nord-du-Québec	–	–	8
11 – Gaspésie–Îles-de-la-Madeleine	10	630	127
12 – Chaudière-Appalaches	–	–	49
13 – Laval	4	35	47
14 – Lanaudière	1	–	26
15 – Laurentides	1	162	63
16 – Montérégie	6	–	107
17 – Centre-du-Québec	1	19	8
TOTAL	178	3,912	2,399
TOTAL – RESOURCE REGIONS [2]	96	2,902	1,609

(1) According to business forecasts, these jobs were created recently or will be created over the next three years. To avoid double counts, these jobs must not be added to jobs resulting from financing operations.

(2) The resource regions include Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean, Mauricie, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec and Gaspésie–Îles-de-la-Madeleine.

FIER

Created in 2004, the Regional Economic Intervention Fund (FIER) is designed to provide businesses with a source of capital during the start-up, development, turnaround and succession stages. It also supports the creation of sector-based and start-up funds and the implementation of developmental projects, mainly in the regions. It includes three segments: the FIER-Regions funds, the Support Funds, and FIER Partners, L.P.

IQ FIER inc., a subsidiary of Investissement Québec, accredits FIER-Regions funds and Support Funds, coordinates follow-up, ensures accountability, and delivers the required amounts into the appropriate funds. It is also a limited partner in FIER Partners L.P., which is responsible for investing in sector-based funds.

In 2007-2008, IQ FIER inc. accredited a new FIER-Regions fund, bringing the total number of funds to 30, of which 29 are active; it also accredited 2 Support Funds, for a total of 14 funds, of which 13 are active. The total FIER-Regions budget of $192 million has now been invested in different accredited funds. As for the Support Funds, $28 million of the $36 million budget has been invested. A FIER fund is available in every administrative region of Québec.

Since 2005, the Board of Directors of FIER Partners, L.P. has authorized investments of $140 million in 10 investment funds; 78% of the $180 million budget for this segment has been committed to various funds.

Under the agreements between the investors and IQ FIER inc., capital contributions into the accredited FIER-Regions funds are made in four instalments over a period of about three years. This timeframe provides for optimal use of public funds and allows investors enough time to plan their investments.

As at March 31, 2008, capital contributions made into all FIER-Regions funds stood at $160.2 million.[8] As at December 31, 2007,[9] $84 million was invested in businesses for a total of 158 investments, up $50 million from December 31, 2006.

Capital contributions are made into Support Funds when funds are set up. As at March 31, 2008, capital contributions stood at $38.1 million,[8] of which $12 million was paid into the 4 funds that started their activities during the year. As at December 31, 2007,[9] 33 investments were made in businesses for a total of $5.7 million, up 215% from December 31, 2006.

FINANCIAL POSITION OF FIER

	As at March 31, 2008			Investments by the Funds [3]			
				As at December 31, 2007		As at December 31, 2006	
	Number of Active Funds	Total Capital Contribution ($M) [1]	Total Amount Disbursed ($M) [2]	Number of Investments	Value ($M)	Number of Investments	Value ($M)
FIER-Regions	29	282.9	160.2	158	84.0	55	33.9
Support Funds	13	39.0	38.1	33	5.7	9	1.8

(1) This amount represents capital contributions by IQ FIER inc. and private investors, with instalments made over a period of about three years.

(2) This sum represents the amounts paid by IQ FIER inc. and private investors into the FIER-Regions and Support Funds.

(3) Amounts invested in businesses by the FIER funds since they were set up.

8 Total capital contributions by IQ FIER inc. and private investors.

9 The data on investments made by FIER-Regions and Support Funds are collected through a biannual survey (June 30 and December 31).

CONSULTING

Well known for its financial expertise, Investissement Québec also acts on occasion as advisor to and analyst for different government departments and agencies.

In addition, the Corporation provides the necessary administrative support for managing the remaining portfolios of Société Innovatech du Grand Montréal and Société Innovatech Régions ressources. It also offers administrative support to FIER Partners, L.P. In accordance with Order in Council 1027-2006, Investissement Québec acquired the assets of Innovation-Papier (INNO-PAP) on November 8, 2006 and has, since then, assumed the debts and obligations of the company, which was dissolved on December 27, 2006.

CHANGES DURING THE YEAR

CHANGES TO FINANCIAL PRODUCTS

The Strategic Support for Investment Program (PASI), administered by Investissement Québec, was extended until March 31, 2010 by the Government of Québec. Three changes were made to the Program: first, groups of businesses can now respond to calls for tenders from large prime contractors; second, the period for carrying out a product development project was extended from three to five years; and third, the competition mechanism for the Product Development segment was eliminated.

Eligibility for the Support for the Forest Industry Program (PSIF) was broadened to include three new sectors: the furniture industry (May 29, 2007), prefabricated wood buildings (October 17, 2007), and wood processing and forest operations machinery manufacturing (February 15, 2008).

A new segment was also added to the PSIF to finance refundable tax credits for the construction of access roads and public bridges in forest areas. A budget of $75 million was earmarked for the new segment following a redistribution of the total amounts allocated to the Program.

This year, Investissement Québec authorized financing operations under the Economic Projects Support Program (PSPE), in cooperation with the Ministère du Développement économique, de l'Innovation et de l'Exportation. In future, the Ministère alone will handle new applications; the Corporation will, however, manage the files it has already approved.

CHANGES TO TAX MEASURES

During the year, the government made changes to the tax measures administered by Investissement Québec. On June 26, 2007, the Ministère des Finances announced that the level of assistance awarded to companies qualifying for the tax holiday for manufacturing SMBs in remote resource regions would be maintained. To benefit from the tax holiday, however, companies must now obtain an annual eligibility certificate from Investissement Québec for any taxation year ending after December 31, 2007. The certificate will establish whether activities were transferred from an establishment located outside a remote resource region to one located in a remote resource region and will determine the reduction factor, where applicable.

In the 2008-2009 Budget Speech of March 13, 2008, the eligibility period for refundable tax credits for processing activities in resource regions (RR) was extended to March 31, 2010. The deadline for tax credits for the Aluminum Valley (ALU) and Gaspésie and Certain Maritime Regions of Québec (GAS) was extended to December 31, 2015. In addition, companies that apply for the new investment tax credit for manufacturing and processing equipment will irrevocably lose the right to claim an RR tax credit and will see their ALU or GAS tax credit decreased, except companies with operations in marine biotechnology and aquaculture. For the Gaspésie–Îles-de-la-Madeleine region, all manufacturing sector activities are now eligible for the GAS credit.

A new refundable tax credit for the development of e-business was also announced in the Budget Speech. This tax credit is intended for companies that carry on high value-added IT activities related to e-business and that assign at least six employees to such activities. Companies may benefit, until December 31, 2015, from this tax credit, which is equal to 30% of the salaries of eligible employees up to a maximum of $20,000 per employee. Companies benefiting from this credit, or any company associated with them, will no longer be eligible for certain tax credits, including credits related to activities carried on at a designated site and credits related to salaries for an innovation project.

CLIENTS AND PARTNERS

CLIENT AND PARTNER SATISFACTION

Service quality is of strategic importance to Investissement Québec. Each year, the Corporation asks its clients and partners to evaluate the services it offers them.

When it comes to the Corporation's financing services, the annual evaluation focuses on five main areas: courtesy, professionalism and qualification, adaptability and flexibility, application processing time, as well as accessibility and visibility. Through this survey, the Corporation is able to measure the satisfaction of its financing clients and partners with its contribution and collaboration.

Between April 2007 and March 2008, the Corporation surveyed 679 client businesses that had benefited from new financial solutions and 232 financial partners. At the end of March, the response rate stood at 51% and 58% respectively.

The general satisfaction rate for client businesses is the same this year as last year, i.e., 94%, which is excellent given the increase in the number of financing operations. Financial partners also expressed considerable satisfaction with the Corporation's services, with a rate of 97%.

SATISFACTION RATES [1]

	2007-2008		2006-2007	
	Client Businesses	Financial Partners [3]	Client Businesses	Financial Partners
Courtesy	95%	94%	94%	96%
Professionalism and qualification	96%	100%	97%	98%
Adaptability and flexibility	96%	98%	94%	97%
Processing time	91%	94%	93%	91%
Accessibility and visibility	91%	97%	91%	97%
General satisfaction [2]	94%	97%	94%	96%

(1) Percentage of respondents who were "quite satisfied" to "very satisfied."
(2) Satisfaction with all aspects evaluated.
(3) Account managers with financial institutions.

The Corporation also surveyed 789 client businesses benefiting from tax measures; the response rate was 26%. The evaluation of service quality focused on courtesy, professionalism and qualification, processing time, as well as accessibility and visibility. The general satisfaction rate for these businesses was 90%, which is comparable to the 91% achieved last year.

ETHICS AND CLIENT SERVICE

The Corporation's client service is based on three fundamental values: respect, integrity and thoroughness. Two documents serve as the Corporation's guide in its relations with its clients and partners: the *Code of Ethics of Employees of Investissement Québec and its Subsidiaries* and *Our Commitment to Clients* statement. These documents are available on the Corporation's web site.

In *Our Commitment to Clients*, the Corporation states its commitment to providing clients with top-notch service and meeting high standards of professional conduct. The *Code of Ethics* sets out the rules of conduct to be followed to protect the interests of the Corporation as well as those of its clients, suppliers and partners. It also contains provisions designed to protect the confidentiality of client information.

Investissement Québec has adopted a complaints handling policy and has set up a simple, efficient and uniform complaints management system. Information on potential recourses and the procedure to follow in filing a complaint is available on the Corporation's web site. During the year, the Corporation received three complaints, which were handled within the required time frame. None of these complaints was related to the protection of client information or the loss of client data.

ELECTRONIC SERVICE DELIVERY

In accordance with government guidelines on electronic service delivery, the Corporation's clients have, since 2007, been able to consult their financial files, view their invoices, access their transaction statements and fill out certain financing applications through the online service *My Account*. As at March 31, 2008, 300 businesses subscribed to this service. This year, the Corporation started to extend *My Account* to tax assistance clients, while continuing to promote the service among its financing clients.

BUSINESS DEVELOPMENT

During the year, the Corporation participated in numerous events, such as conferences, luncheon meetings and networking sessions. These events were organized either by the Corporation or by partners, sector-based associations, financial institutions or other organizations. They enabled the Corporation to keep pace with the needs of its partners and clients.

A telemarketing campaign was carried out on prospective clients targeted by two business centres. The campaign was intended to promote Investissement Québec's products and services and to maximize financing opportunities. A total of 436 companies were selected as potential leads. Investissement Québec representatives met with 30% of those businesses.

BUSINESS PROCESS IMPROVEMENT

In January 2008, the Corporation successfully implemented a new loan guarantee authorization process, which should enable it to reduce financing file processing times by fifty percent and improve client satisfaction without increasing its credit risk. With the time thus saved, portfolio managers will be able to focus more on business development.

ORGANIZATION

PROFITABILITY AND DEVELOPMENT

In its 2007-2010 strategic plan, the Corporation set itself the objective of ensuring a balance between profitability and development.

Accordingly, in 2007-2008, the Corporation took stock of the regulations related to its complementary financing activities. It performed a financial analysis and calculated forecasts, making a distinction between its regular financing activities and the activities related to the economic development tools it administers on behalf of the government. The analysis focused on the return on capital the Corporation requires to self-finance its administrative expenses in the long term.

The Corporation closely manages the credit risks associated with its financing operations and sets its service prices according to the level of risk exposure. It has a risk monitoring system enabling it to identify portfolio businesses that are likely to be in difficulty. It can thus intervene quickly to turn such businesses around or revitalize them.

This year, the Corporation carried out an assessment of its portfolio with respect to credit and concentration risk. This assessment will now be performed on an ongoing basis with the help of new indicators. It also undertook a review of its risk rating system based on best industry practices. The revised system should allow the Corporation to assess the credit risk of its portfolio more effectively, to compare it with that of its peers, and to optimize its service prices.

ECONOMIC PERFORMANCE: THE CORPORATION'S PROFITABILITY

Each year, Investissement Québec asks the Institut de la statistique du Québec (ISQ) to evaluate the economic impact of the projects it finances and the operations of the companies in its portfolio. The ISQ evaluates this impact by carrying out simulations using its intersector model, which reproduces the workings of the Québec economy, and data provided by the Corporation. By comparing the economic impact of its operations with the costs[10] it represents for the Government of Québec, the Corporation's cost-benefit ratio is established. A ratio higher than 1 confirms its profitability.

In 2007-2008, the value of the projects financed by the Corporation totalled $2.9 billion; the sales generated by its portfolio businesses stood at $36.3 billion, which represents for the Government of Québec tax and quasi-tax revenues of $3.2 billion. Of this amount, Investissement Québec set $980.3 million as the portion attributable to its operations, with $106.9 million of that from financed projects and $873.4 million from the companies in its portfolio. This represents a slight increase over last year.

However, the net costs to the Government of Québec grew this year from $69.5 million to $276.8 million, as a result of the increase in the provision for losses recoverable from the Government of Québec, which was lower than usual in 2006-2007.

Since 1998, the annual valuation of Investissement Québec's profitability has always resulted in a cost-benefit ratio greater than 1.87/1. In fact, the overall ratio is 3.71/1.[11] In other words, for each dollar of cost the Corporation represents for the Government of Québec, the government collects $3.71 in tax and quasi-tax revenues. This means that Investissement Québec not only acts as a financial partner for businesses, it also contributes to the economic development and wealth of Québec.

10. These costs were evaluated according to accounting policies in effect as at March 31, 2007.

11. The overall ratio is established by dividing the amount of economic impact since 1998 by the amount of costs for the same period.

The cost-benefit ratio for this year was 3.54/1, compared with 13.14/1 in 2006-2007. This decrease is due primarily to the increase in net costs that the Corporation represents for the Government of Québec.

Detailed information on the valuation method, the data used to simulate economic impact and the results achieved is provided in the "Additional Information" section of this report.

PROFITABILITY OF THE CORPORATION'S OPERATIONS

	2007-2008	2006-2007
Tax and quasi-tax revenues attributable to the Corporation's operations:		
Related to the implementation of projects financed ($M)	106.9	150.5
Related to the sales of the companies in the portfolio ($M) [1]	873.4	762.7
Total revenues attributable to the Corporation ($M)	980.3	913.2
Net costs to the government ($M)	276.8	69.5
Investissement Québec's cost-benefit ratio	3.54/1	13.14/1

(1) The valuation was carried out on companies whose year-ends were between July 1, 2006 and June 30, 2007 for fiscal 2007-2008, and between July 1, 2005 and June 30, 2006 for fiscal 2006-2007.

PROMOTION OF THE CORPORATION

The Corporation implemented a public affairs program to increase its visibility and provide support in reaching its business development objectives. It continued its advertising program and placed 157 spots in the print media. Television campaigns were also carried out in the spring and fall of 2007. A thorough review of all marketing and communication activities was undertaken during the year in order to bolster and optimize the impact of the Corporation's image. Investissement Québec continued its partnership-sponsorship program and contributed to 53 regional activities and 34 national activities.

The Corporation took part in more than 50 public affairs activities with sector-based associations, boards of trade and partner financial institutions, and saw to the organization of some of those activities. The President and Chief Executive Officer made more than 25 presentations to various organizations and associations to acquaint them with Investissement Québec's role. The Corporation also visited several regions to promote its role and strengthen ties with its clients and partners. Some 60 press kits were produced and the Corporation responded to more than 125 print and electronic requests from the media.

The Corporation also optimized the use of its web site to increase its visibility among Internet users; it did so through advertising campaigns on Québec business portals, keyword purchasing campaigns on search engines, and direct marketing campaigns to encourage clients and partners to subscribe to its online service *My Account*.

At the annual conference of the Economic Developers Association of Canada held in Saskatoon in September 2007, Investissement Québec received three awards for excellence in the largest Canadian corporation category: one for the advertising created for the special issue of *Forbes* magazine on Québec published in December 2006, one for the *Imaginez les possibilités* television campaign, and one for its brochure *Investing in Québec*, available in Japanese and English and intended for the Asian business clientele.

Investissement Québec complies with the Canadian Code of Advertising Standards, which establishes advertising acceptability criteria. In 2007, no complaint was considered by the national and regional boards of Advertising Standards Canada to violate the Code.

SKILLS DEVELOPMENT

Developing employee skills is a priority for Investissement Québec. This year, the Corporation offered its employees training that reflected the specific needs of each department and job category.

In 2007-2008, Investissement Québec devoted 2.5% of its payroll to employee training and development. Employees reporting to the Executive Vice-President, Business Operations were given training to facilitate the implementation of new business processes. A good number of employees also received training on business law. On average, each employee attended 37 hours of training, i.e., about 5 days.

TRAINING BY JOB CATEGORY

	Number of Hours of Training	Average Number of Hours per Employee
Management	1,729	41.2
Professional and legal	7,385	34.8
Technical and clerical	6,128	40.1

MANAGEMENT

ORGANIZATION CHART

BOARD OF DIRECTORS
IQ IMMIGRANTS INVESTISSEURS INC.

BOARD OF DIRECTORS
INVESTISSEMENT QUÉBEC

BOARD OF DIRECTORS
IQ FIER INC.

PRESIDENT AND CEO
JACQUES DAOUST

DIRECTOR, INTERNAL AUDIT
NANCY BÉLAND

EXECUTIVE VICE-PRESIDENT, CORPORATE AFFAIRS AND GENERAL SECRETARY
PIERRE B. LAFRENIÈRE

ASSOCIATE DIRECTOR, LEGAL AFFAIRS (MONTRÉAL)
JOHANNE PROULX

ASSOCIATE DIRECTOR, LEGAL AFFAIRS (QUÉBEC CITY)
GILLES MONTPLAISIR

VICE-PRESIDENT, CREDIT AND RISK MANAGEMENT
MICHEL DESCHAMPS

VICE-PRESIDENT, INVESTMENT CAPITAL SUBSIDIARIES
JEAN-SÉBASTIEN LAMOUREUX

DIRECTOR, PRODUCT DEVELOPMENT
SYLVIE PINSONNAULT

DIRECTOR, SPECIAL ACCOUNTS RECEIVABLE
JOHANNE PILON

DIRECTOR, SUBSIDIARIES
SÉBASTIAN BOISJOLY

DIRECTOR, CREDIT POLICY DEVELOPMENT
YVON LECLERC

DIRECTOR, RISK MANAGEMENT AND FINANCIAL ENGINEERING
PHUOC-LIENG HUYNH

EXECUTIVE VICE-PRESIDENT, BUSINESS OPERATIONS
CLAUDE DULUDE

VICE-PRESIDENT, COOPERATIVES AND OTHER SOCIAL ECONOMY ENTERPRISES
CLAUDE CARBONNEAU

REGIONAL DIRECTOR, WEST ISLAND OF MONTRÉAL
MARC LANGLOIS

REGIONAL DIRECTOR, EAST ISLAND OF MONTRÉAL-MAURICIE
MICHEL DESILETS

REGIONAL DIRECTOR, NORTHWEST QUÉBEC
JEAN LAVEAUX

ACTING REGIONAL DIRECTOR, NORTHEAST QUÉBEC
MICHEL BOURGAULT

REGIONAL DIRECTOR, SOUTHWEST QUÉBEC
GILLES BRISSON

REGIONAL DIRECTOR, SOUTHEAST QUÉBEC
MICHEL BOURGAULT

VICE-PRESIDENT, INTERNATIONAL AFFAIRS
LOUISE MORIN

DIRECTOR, EUROPE
ERIC DEQUENNE

DIRECTOR, THE AMERICAS
HENRI SOUQUIÈRES

DIRECTOR, ASIA
LOUIS P. GRANGER

DIRECTOR, STRATEGIC INFORMATION
MARIE-FRANCE DUBUC

EXECUTIVE VICE-PRESIDENT, GENERAL ADMINISTRATION
ANDRÉ CÔTÉ

VICE-PRESIDENT, HUMAN RESOURCES
RODRIGUE BRILLANT

VICE-PRESIDENT, GOVERNMENT MANDATES
YVES LAFRANCE

DIRECTOR, SPECIALIZED FINANCING
CLAUDE PROULX

DIRECTOR, TAX MEASURES
DENIS VALOIS

VICE-PRESIDENT, COMMUNICATIONS AND MARKETING
MICHEL GUITARD

DIRECTOR, MARKETING AND CORPORATE COMMUNICATIONS
JEAN-MARC DESSUREAULT

DIRECTOR, BUSINESS DEVELOPMENT AND SERVICE QUALITY
JEAN-CHARLES VINCENT

DIRECTOR, FINANCE AND TREASURY AND CHIEF FINANCIAL OFFICER
RENAUD GILBERT

DIRECTOR, INFORMATION SYSTEMS
LYNN LADOUCEUR

DIRECTOR, PERFORMANCE APPRAISAL
DANIELLE VIVIER

DIRECTOR, SPECIAL MANDATES
STELLA PAILLÉ

GOVERNANCE

The *Act respecting the governance of state-owned enterprises and amending various legislative provisions* ("Act respecting governance"), passed by the National Assembly on December 14, 2006, sets out the new rules of governance that apply to a number of state-owned enterprises including Investissement Québec.

The positions of Chair of the Board of Directors and Chief Executive Officer may no longer be held by the same person. For that reason, the Government of Québec appointed a new Chair to the Corporation's Board, Robert Cloutier, on October 17, 2007. Since the *Act respecting governance* also requires that two thirds of the Board members be independent directors, six new members were appointed at that time. Their term is for four years and may be renewed, but may not exceed ten years.

The *Act respecting governance* also provides for new rules on the disclosure and publication of information. This annual report complies with those rules by disclosing information on the compensation of Board members and providing a summary of the reports submitted by the committees reporting to the Board.

BOARD OF DIRECTORS

To help it fulfill its duties, the Board of Directors of Investissement Québec includes representatives from the business community, cooperatives, unions and government. It establishes the Corporation's strategic priorities, ensures that those priorities are implemented, and examines any issue it deems important. According to the authorization levels established in the bylaws, the Board recommends or authorizes financing operations under the programs administered by the Corporation. It is accountable to the government for the Corporation's decisions.

The Board uses tools designed in cooperation with Management, such as the three-year strategic plan, the annual action plan, earnings forecasts, periodic operating reports, the financial statements presenting the results compared with the objectives set, as well as the annual report.

MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors of Investissement Québec is made up of twelve members,[12] including the President and Chief Executive Officer of the Corporation. Since the *Act respecting governance* specifies that the Board must include an equal number of men and women, Investissement Québec's Board now includes six men and six women. During the year, the Board held seven regular meetings and four special meetings.

12 Three members left the Board in fiscal 2007-2008: Yves Lafrance, Rosemonde Mandeville and Michel R. St-Pierre.

First row, from left to right: Lorna J. Telfer, Monette Malewski and Louise Houle. Second row: Rita Lc de Santis, Mélanie Kau, Jacques Daoust, Robert Cloutier, René Roy and Gilles Demers.

As at March 31, 2008, the Board was made up of the following individuals:

ROBERT CLOUTIER
CHAIR OF THE BOARD OF DIRECTORS
CHAIR OF THE GOVERNANCE AND ETHICS COMMITTEE
Date appointed to the Board: October 17, 2007
Date term ends: October 17, 2012
Status: Independent director

Mr. Cloutier graduated from the Université de Sherbrooke in 1973. He became Vice-President of Marketing for Métro-Richelieu in 1982, and was appointed President and CEO of Gestion Montemurro and Achille de la Chevrotière Ltée in 1986. Committed to his profession and the community, he served as Chair of the Board of Directors of Fédération des chambres de commerce du Québec in 2005 and 2006. Since then, he has acted as a consultant and a board member for various corporations.

Mr. Cloutier is also a member of the Boards of Théâtre du Nouveau Monde and Proximedia Customer Interaction Centre.

JACQUES DAOUST
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Date appointed to the Board: June 20, 2006
Date term ends: June 26, 2011

Mr. Daoust received a Bachelor of Business Administration from the École des Hautes Études Commerciales de Montréal in 1972 and an MBA from Université Laval in 1983. He has held high-level positions with financial institutions during his career, in particular with the National Bank and Laurentian Bank. He has served as President and Chief Executive Officer of Investissement Québec since June 2006.

Mr. Daoust also sits on the Board of Directors of BLC-Edmond de Rothschild.

Léopold Beaulieu, Michael Ross and Mathilde Carrière

LÉOPOLD BEAULIEU
VICE-CHAIR OF THE BOARD OF DIRECTORS
CHAIR OF THE HUMAN RESOURCES COMMITTEE
Date term with the Board renewed: December 2, 2004
Date term ends: December 2, 2007[13]
Status: Independent director

After serving as Director of the Caisse d'économie des travailleurs réunis from 1971 to 1976, Mr. Beaulieu acted as Treasurer for the CSN for two decades. He has held the position of President and CEO of Fondaction, le Fonds de développement de la Confédération des syndicats nationaux (CSN) pour la coopération et l'emploi, since it was created in 1996. He also oversees the activities of CIRIEC-Canada, the Canadian section of the Centre for Interdisciplinary Research and Information on Community Enterprises, in addition to acting as Vice-President of CIRIEC-International.

Mr. Beaulieu sits on the Boards of Société de développement Angus, Corporation de développement Angus, Fondation pour l'éducation à la coopération et à la mutualité and Coopérative de développement regional de Montréal-Laval. He is also Vice-Chair of the Board of Directors of Caisse d'économie solidaire Desjardins.

13 Under the transitional and final provisions of the *Act respecting governance*, Mr. Beaulieu's term continues under the same conditions until he is replaced or reappointed.

MATHILDE CARRIÈRE
MEMBER OF THE GOVERNANCE AND ETHICS COMMITTEE
Date appointed to the Board: October 17, 2007
Date term ends: October 17, 2011
Status: Independent director

Ms. Carrière received a Bachelor of Commerce from Concordia University in 1983 and was admitted to the Québec Bar in 1987. She has been a partner in the firm Fraser Milner Casgrain since 1997.

She is also a member of the Board of Directors of the YWCA Montreal.

GILLES DEMERS
Date term with the Board renewed: October 17, 2007
Date term ends: October 17, 2010

After completing a Master of Economics at Université de Sherbrooke in 1975, Mr. Demers worked for the Ministère des Finances du Québec for 20 years. He was appointed Assistant Deputy Minister for the Ministère du Développement économique, de l'Innovation et de l'Exportation before becoming Deputy Minister in April 2005.

Mr. Demers is also a member of the Board of Directors of Société générale de financement and Services-Québec.

RITA LC DE SANTIS
MEMBER OF THE HUMAN RESOURCES COMMITTEE
Date appointed to the Board: October 17, 2007
Date term ends: October 17, 2011
Status: Independent director

Ms. de Santis has been a partner in the law firm Davies Ward Phillips & Vineberg since 1981.

She is also Vice-Chair of the Board of Directors of Concordia University and a member of the Board of St. Mary's Hospital Center.

LOUISE HOULE
MEMBER OF THE GOVERNANCE AND ETHICS COMMITTEE
Date appointed to the Board: October 17, 2007
Date term ends: October 17, 2011
Status: Independent director

Ms. Houle has been a partner in the law firm Heenan Blaikie since 1984.

She also serves as Vice-Chair of the Investment Committee of Desjardins Venture Capital and sits on the Boards of the Pierre Elliott Trudeau Foundation, Aanischaaukamikw (Cree) Foundation, Louise and Alan Edwards Foundation, Selwyn House School and The Study Foundation.

MÉLANIE KAU
MEMBER OF THE AUDIT COMMITTEE
MEMBER OF THE GOVERNANCE AND ETHICS COMMITTEE
Date appointed to the Board: December 2, 2004
Date term ends: December 2, 2007[14]
Status: Independent director

Ms. Kau received a master's degree in journalism from Northwestern University in 1986 and an Executive MBA from Concordia University in 1992. She has been President of Mobilia Ltée since 1995.

Ms. Kau also sits on the Board of Directors of Alimentation Couche-Tard inc.

MONETTE MALEWSKI
MEMBER OF THE AUDIT COMMITTEE
Date appointed to the Board: October 17, 2007
Date term ends: October 17, 2011
Status: Independent director

Ms. Malewski has served as President of Agences d'assurance M. Bacal inc. since 1998, after a four-year term as Vice-President of the firm.

She is also Chair of the Board of the Montreal Chapter of the Hebrew University and a member of the Board of Universitas Foundation and Mount Sinai Hospital.

MICHAEL ROSS, CA
CHAIR OF THE AUDIT COMMITTEE
Date appointed to the Board: October 17, 2007
Date term ends: October 17, 2011
Status: Independent director

Mr. Ross received a Bachelor of Commerce and went on to obtain a Graduate Diploma in Accounting from Concordia University in 1983. He worked as an external auditor until 1986, then served as Vice-President of Finance for various businesses. In 1998, he was appointed Chief Financial Officer of Bell Nordiq Group Inc. He has held the position of Chief Financial Officer of Sanimax Industries Inc. since 2007.

RENÉ ROY
MEMBER OF THE GOVERNANCE AND ETHICS COMMITTEE
Date term with the Board renewed: December 2, 2004
Date term ends: December 2, 2007[14]
Status: Independent director

Mr. Roy received a diploma in electrical technology in 1968. He is a member of the Ordre des conseillers en ressources humaines et en relations industrielles agréés du Québec. Appointed Vice-President of the Fédération des travailleurs et travailleuses du Québec in 1987, Mr. Roy has been Secretary General of the Fédération since 1998.

He is also a member and the Secretary of the Board of the Fonds de solidarité FTQ as well as a member of the Board of the Université du Québec à Montréal.

LORNA J. TELFER
MEMBER OF THE HUMAN RESOURCES COMMITTEE
Date appointed to the Board: October 17, 2007
Date term ends: October 17, 2001
Status: Independent director

Ms. Telfer received a degree in civil law from McGill University in 1977. She is presently a partner in the firm McCarthy Tétrault, where she has been practising law since 1978.

She also sits on the Board of Directors of Lojack Exchangeco Canada Inc., Canadian Youth Business Foundation, Saint Patrick's Foundation and Saint Patrick's Basilica Restoration Foundation.

14 Under the transitional and final provisions of the *Act respecting governance*, the terms of Mélanie Kau and René Roy continue under the same conditions until these members are replaced or reappointed.

REPORT OF THE BOARD OF DIRECTORS

During fiscal 2007-2008, the Board reviewed and amended a number of policies, including the integrated risk management policy. The previous year, it had started work on developing a socially-responsible financing policy, in cooperation with the Governance and Ethics Committee. It continued this work during the year, while mapping out a sustainable development action plan.

In May 2007, the Board revised the codes of ethics of employees and directors, together with the Governance and Ethics Committee, in order to bring them into line with the *Act respecting governance*. In the past, there were two ethics committees: one for employees, the other for directors. Today, there is only one—the Governance and Ethics Committee—which is made up of independent members, in accordance with the *Act*.

On October 17, 2007, the Government of Québec appointed seven new members to the Board. On that occasion, the President and Chief Executive Officer of Investissement Québec made a presentation to members on the mission and mandates of the Corporation. A report was also given on the work under way at Investissement Québec on client company risk classification and credit rating. After the new independent directors were appointed, the composition of the three Board committees was reviewed; the composition of those committees now complies with the requirements of the *Act respecting governance*, which specifies that the members must be independent.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board oversees three committees: the Governance and Ethics Committee, the Audit Committee and the Human Resources Committee. These committees are made up solely of independent members.

GOVERNANCE AND ETHICS COMMITTEE

The Governance and Ethics Committee includes the following individuals: Mélanie Kau, Mathilde Carrière, Louise Houle, René Roy and Robert Cloutier, who is the Chair. It is responsible for developing the rules of governance, the code of ethics on the conduct of the Corporation's business, and the codes of ethics that apply to the Board members, the officers appointed by the Corporation, the employees of the Corporation and its subsidiaries. The Committee also determines the expertise and experience profiles to be used in appointing Board members, except the President and Chief Executive Officer, and establishes the criteria for evaluating Board members and assessing the Board's performance.

In 2007-2008, the Governance and Ethics Committee met three times. It set up a sub-committee, made up of Louise Houle, Mathilde Carrière and Pierre B. Lafrenière, General Secretary of the Corporation, to report back on the expertise and experience profiles to be used in appointing Board members as well as the criteria for evaluating Board members and assessing the Board's performance. The Governance and Ethics Committee continued its work on the socially-responsible financing policy and the 2007-2010 sustainable development action plan, and submitted a progress report to the Board. It also recommended that the Board amend the *Code of Ethics of Employees of Investissement Québec and its Subsidiaries* and the *Code of Ethics of the Board of Directors* to bring them into line with the *Act respecting governance*. An analysis of all rules of governance applicable to Investissement Québec is under way; these rules will be reviewed during fiscal 2008-2009.

AUDIT COMMITTEE

Chaired by Michael Ross, CA, the Audit Committee includes Mélanie Kau and Monette Malewski. Its primary responsibilities are as follows: ensuring that internal control mechanisms are put in place and that they are appropriate and effective; making sure that a risk management process is implemented; reviewing any activity that is potentially detrimental to the Corporation's financial position that is brought to its attention by the internal auditor or an officer; examining the financial statements with the Auditor General and the external auditor appointed by the Government; and recommending that the Board approve the Corporation's financial statements.

The Committee met on five occasions during the year. In May 2007, it recommended that the Board approve the consolidated financial statements of Investissement Québec for the fiscal year ended March 31, 2007, and followed up on the recommendations made by the Auditor General with respect to his financial audit.

In accordance with the *Act respecting governance*, the Auditor General and an external auditor conducted a joint audit. The Audit Committee recommended that the Board approve the audit plan for the fiscal year ended March 31, 2008, including the external auditor's fees. It also recommended that the Board adopt the 2008-2009 action plan and the 2008-2009 earnings forecasts, including administrative expenses. Finally, the Committee took note of the action plan on the implementation of a financial disclosure policy and on internal controls for financial information, and approved the Department of Internal Audit's annual plan.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is made up of Rita Lc de Santis, Lorna J. Telfer and Léopold Beaulieu, who is the Chair. Its duties include the following: making sure that human resources policies are in place; developing and proposing an expertise and experience profile to be used in appointing the President and Chief Executive Officer; formulating and proposing criteria for evaluating the President and Chief Executive Officer and making recommendations to the Board on the latter's compensation; assisting in the selection of officers; and establishing a succession planning program for officers.

The Committee met seven times during the year. In carrying out its duties, it recommended that the Board approve the expectations stated by the President and Chief Executive Officer for 2007-2008. It also recommended that the Board adopt the new rules on incentive compensation for all employees of Investissement Québec, excluding the President and Chief Executive Officer. Finally, it began work on the compensation of the President and Chief Executive Officer, work which it will continue during the next fiscal year.

REPORT ON COMPENSATION

The compensation of the members of the Board of Directors of Investissement Québec, excluding the Chair of the Board, includes:

- annual lump-sum compensation of $8,160;
- annual compensation of $3,000 for the Chair of a Board committee;
- a director's fee of $510 per meeting of the Board or a Board committee;
- a director's fee of $255 per special meeting of the Board or a Board committee that is short in length and held by conference call.

Only independent members are entitled to this compensation.

The Chair of the Board receives annual compensation of $16,000 as well as a lump sum of $750 for each meeting of the Board or a Board committee he attends. He also receives a lump sum of $375 for each special meeting of the Board that is short in length and for each meeting of a committee held by conference call. The Chair of the Board may attend all the meetings of the Board committees.

MEETINGS ATTENDED BY DIRECTORS OF INVESTISSEMENT QUÉBEC AND TOTAL COMPENSATION

	Board of Directors					
	Regular Meetings	Special Meetings	Governance and Ethics Committee	Audit Committee	Human Resources Committee	Total Compensation ($)
Directors						
Léopold Beaulieu [1]	6	3	–	2/2	7	–
Mathilde Carrière	2/3	3/3	1/1	–	–	4,590
Robert Cloutier	3/3	3/3	1/1	4/4	4/4	14,125
Jacques Daoust	7	4	2/2	–	3/3	–
Gilles Demers	3	4	–	–	–	–
Rita Lc de Santis	3/3	3/3	–	–	4/4	6,375
Louise Houle	3/3	3/3	1/1	–	–	5,100
Mélanie Kau	5	4	1/1	4/4	–	10,863
Monette Malewski	3/3	3/3	–	3/3	–	6,120
Michael Ross	2/3	2/3	–	3/3	–	6,360
René Roy	5	4	1/1	2/2	3/3	10,608
Lorna J. Telfer	3/3	3/3	–	–	3/4	5,865
Number of meetings	7	4	3	5 [2]	7 [3]	
Outgoing Directors						
Yves Lafrance [4]	2/4	1/1	–	1/1	1/2	–
Rosemonde Mandeville [5]	4/4	0/1	–	–	–	5,304
Michel R. St-Pierre [6]	4/4	0/1	2/2	–	–	–

(1) Mr. Beaulieu waived the compensation to which he was entitled.
(2) Including four regular meetings and one special meeting.
(3) Including three regular meetings and four special meetings.
(4) Left the Board on September 24, 2007.
(5) Left the Board on October 17, 2007.
(6) Left the Board on January 25, 2008.

The compensation of the members of the Boards of the subsidiaries IQ Immigrants Investisseurs inc. and IQ FIER inc., excluding public sector and Investissement Québec employees, includes:

- a director's fee of $500 per meeting of the Board;
- a director's fee of $250 per special meeting of the Board.

Only independent members of the Board are entitled to this compensation.

The directors compensation policy of IQ Immigrants Investisseurs inc. came into effect on May 29, 2007 and that of IQ FIER inc. on March 15, 2007.

MEETINGS ATTENDED BY DIRECTORS OF INVESTISSEMENT QUÉBEC SUBSIDIARIES AND TOTAL COMPENSATION

	Regular Meetings	Special Meetings	Total Compensation ($)
IQ Immigrants Investisseurs inc.			
Jacques Daoust	2	–	–
Florent Gagné [1]	1/1	–	500
Jean Larivée	2	–	500
Gilles Montplaisir	2	–	–
Pierre-André Paré	1	–	500
Number of meetings	2	–	
Outgoing Director			
Yves Lafrance [2]	–	–	–
IQ FIER inc.			
Luc Chabot	4	4	2,500
Jacques Daoust	4	4	–
Jean-Sébastien Lamoureux	4	5	–
Jean Larivée	4	5	3,250
Number of meetings	4	5	
Outgoing Director			
Mathilde Carrière [3]	3/3	2/3	1,750

(1) Was appointed on December 4, 2007.
(2) Left the Board on November 16, 2007.
(3) Left the Board on November 14, 2007.

In addition to their base salary, the officers of Investissement Québec receive variable compensation based on achievement of the Corporation's objectives and individual performance. They receive other benefits as well, such as the employer contribution to the group insurance plan, the employer contribution to the management pension plan and reimbursement of parking expenses. Under an order in council, the Corporation provides the President and Chief Executive Officer with a car. The three other best-paid officers receive an allowance for car rental and certain related expenses.

COMPENSATION OF THE FIVE BEST-PAID OFFICERS

	Base Salary ($)	Variable Compensation ($)	Other Benefits ($)	Total ($)
Investissement Québec				
Jacques Daoust	251,022	37,653	16,980	305,655
André Côté	209,100	35,561	16,800	261,461
Pierre B. Lafrenière	178,601	17,860	19,838	216,299
Claude Dulude	178,601	17,860	16,572	213,033
Louise Morin	143,754	12,938	13,492	170,184

Since the officers of Investissement Québec subsidiaries are employees of the Corporation, they do not receive additional compensation for their subsidiary duties.

AUDITOR'S FEES

The external auditor's fees provided for in the audit plan for the year ended March 31, 2008 totalled $297,000.

MAIN INTERNAL COMMITTEES

MANAGEMENT COMMITTEE

The Management Committee is responsible for recommending that the Board adopt the strategic plan and the action plan, monitoring the action plan, deciding on the initiatives presented in those plans, approving the Corporation's policies and guidelines and recommending them to the Board, as well as assessing the Corporation's results and monitoring its performance.

The Committee is made up of 11 members: Jacques Daoust, President and Chief Executive Officer of Investissement Québec; André Côté, Executive Vice-President, General Administration; Pierre B. Lafrenière, Executive Vice-President, Corporate Affairs and General Secretary; Claude Dulude, Executive Vice-President, Business Operations; Louise Morin, Vice-President, International Affairs; Rodrigue Brillant, Vice-President, Human Resources; Yves Lafrance, Vice-President, Government Mandates; Claude Carbonneau, Vice-President, Cooperatives and Other Social Economy Enterprises; Michel Deschamps, Vice-President, Credit and Risk Management; Michel Guitard, Vice-President, Communications and Marketing; and Jean-Sébastien Lamoureux, Vice-President, Investissement Québec Subsidiaries. The Committee met nine times during the year.

CREDIT COMMITTEE

The duties of the Credit Committee are to make recommendations on, authorize or modify financing files in accordance with the powers granted by the Corporation's bylaws.

The Committee is made up of six members: Jacques Daoust, President and Chief Executive Officer of Investissement Québec; Claude Dulude, Executive Vice-President, Business Operations; Yves Lafrance, Vice-President, Government Mandates; André Côté, Executive Vice-President, General Administration; and Michel Deschamps, Vice-President, Credit and Risk Management. It is chaired by Pierre B. Lafrenière, Executive Vice-President, Corporate Affairs and General Secretary. Mr. Lafrenière also serves as the Committee's Secretary, and Johanne Proulx, Associate Director of Legal Affairs at Investissement Québec, as its Assistant Secretary. The Committee held 53 meetings in 2007-2008, i.e., 43 regular meetings and 10 special meetings.

BOARDS OF DIRECTORS OF INVESTISSEMENT QUÉBEC SUBSIDIARIES

IQ IMMIGRANTS INVESTISSEURS INC.

The Board of Directors of IQ Immigrants Investisseurs inc. is responsible for receiving and managing capital from immigrant investors and administering a business assistance program from the investment income, in partnership with financial intermediaries.

The Board, which oversees the effective management of the operations of this subsidiary, is chaired by Jacques Daoust, President and Chief Executive Officer of Investissement Québec. It also includes Florent Gagné, Jean Larivée, Pierre-André Paré, FCA, and Gilles Montplaisir, Associate Director of Legal Affairs at Investissement Québec and Secretary of the Board. The Board held two meetings during the period.

Jean-Sébastien Lamoureux, Vice-President, Investissement Québec Subsidiaries, is responsible for managing IQ Immigrants Investisseurs inc.

IQ FIER INC.

The mandate of IQ FIER inc., a subsidiary of Investissement Québec, is to accredit FIER-Regions and Support Funds by setting the rules of management and governance under which it will invest in the funds. It also coordinates delivery of the necessary amounts into the appropriate segments and ensures the accountability of each fund. As a limited partner, it also holds a 50% interest in FIER Partners, L.P.

The Board of Directors of IQ FIER inc. is chaired by Jacques Daoust, President and Chief Executive Officer of Investissement Québec, and includes Luc Chabot, Venture Capital Consultant, Jean Larivée, Jean-Sébastien Lamoureux, Vice-President, Investissement Québec Subsidiaries, and Liza Frulla.[15] Pierre B. Lafrenière, Executive Vice-President, Corporate Affairs and General Secretary, acts as Secretary of the Board, and Gilles Montplaisir, Associate Director of Legal Affairs at Investissement Québec, as Assistant Secretary. The Board held four regular meetings and five special meetings during the period.

Jean-Sébastien Lamoureux, Vice-President, Investissement Québec Subsidiaries, is responsible for managing IQ FIER inc.

15. Ms. Frulla was appointed on March 18, 2008.

MANAGEMENT TOOLS

THREE-YEAR STRATEGIC PLAN

During the year, the Corporation followed its 2007-2010 strategic plan, approved by the government. The plan sets out the Corporation's strategies and action as well as its economic and financial objectives.

ACTION PLAN

To guide the implementation of its three-year strategic plan, the Corporation draws up an action plan each year that defines its objectives as well as the various initiatives it intends to take to achieve them. It circulates the action plan to all employees at the start of the fiscal year.

OPERATIONS MONITORING

The Corporation uses various tools to monitor its operations, results and financial commitments and to support its decision-making.

Monthly operating reports are available to all employees on the Corporation's intranet site. These reports provide detailed information on all programs administered and activities carried out by the Corporation, including data on client satisfaction, human, financial and material resources management, as well as summary financial results.

A monthly financial report including a summary of the balance sheet and statement of results as well as financial performance indicators is prepared for the Management Committee, the Audit Committee and the Board.

A quarterly report summarizing the results of the main indicators in the Corporation's annual action plan is submitted to the Management Committee and the Board, along with a performance assessment. A progress report on the various activities set out in the action plan is also prepared on a quarterly basis and submitted to the Management Committee. This report is also circulated to all employees through the Corporation's intranet site.

RISK MANAGEMENT

The Corporation uses several tools to manage the risks to which it is exposed, given the nature of its activities. The pyramid below illustrates the Corporation's main risk areas.

Economic conditions, competition and regulations all constitute sources of risks inherent in Investissement Québec's activities over which it has little control or influence.

However, the Corporation has many tools for managing risks over which it does have control, such as strategic, reputation, operational and environmental, credit, credit concentration, market and liquidity risks. The Corporation reports on the management of such risks to the Audit Committee each year in accordance with its action plan.

STRATEGIC RISK

Strategic risk is the risk of losses or of costs related to the Corporation's strategic plan, which includes its mission, vision, issues, values, human resources and skills statements.

The Board of Directors and the Management Committee oversee the smooth functioning of Investissement Québec in the best interests of its clients, partners, employees and the government. The principles of sound management and corporate governance are reinforced by the management tools the Corporation uses, by the systematic analysis of the Corporation's economic impact and by client and partner satisfaction surveys, as well as employee morale surveys.

REPUTATION RISK

Reputation risk is the risk that the Corporation's image and credibility might be damaged, as well as the risk that the Corporation might not fulfill its mission or comply with its priorities.

The Corporation has several methods of managing reputation risk, including a communications plan and the tools it already uses to manage its strategic, operational and environmental risks.

In addition, the Corporation takes care to maintain excellent relations with its clients and partners, a duty it has entrusted to its Department of Business Development and Service Quality. It also has a *Commitment to Clients* statement, a *Complaints Handling Policy* and a *Code of Ethics* for its employees.

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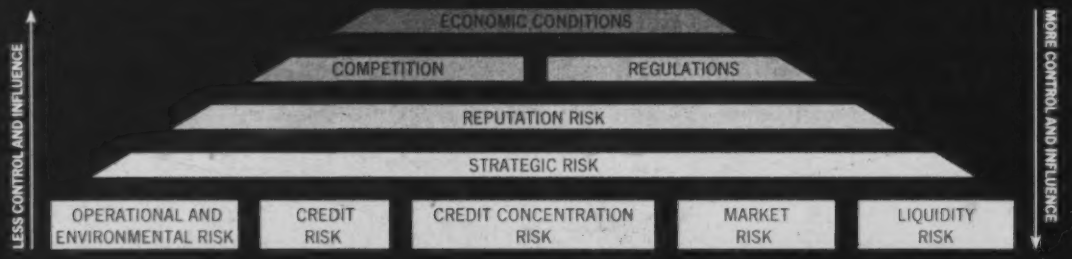
RISK PROFILE



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OPERATIONAL AND ENVIRONMENTAL RISK

Operational risk is the risk that the Corporation might incur a loss due to human error or to the inadequacy or failure of systems or processes. The Corporation has several methods for managing this risk, such as establishing and monitoring information processing, financing operations and human resources management procedures. Specifically, these methods cover:

- delegation of powers and separation of functions;
- prompt production of reliable management information, such as operating reports;
- physical and logical security of computer systems and data;
- implementation of a reliable, redundant network with management and alert tools;
- performance of an external audit of information security every two years;
- activity recovery planning processes;
- employee qualification and training;
- insurance coverage and appropriate protection of material assets and offices.

In light of the nature of its activities, Investissement Québec's business has little direct impact on the environment. The environmental risk to which the Corporation is exposed is associated primarily with the projects and activities it supports through its financing operations.

Pursuant to the *Sustainable Development Act*, the Corporation will file its first sustainable development action plan in fiscal 2008-2009.

The members of the Board have entrusted the Sustainable Development Committee with the mandate of developing a socially-responsible financing policy by the end of 2008.

CREDIT RISK

The Corporation's credit risk is associated mainly with losses that might be caused by or incurred due to the failure of a third party to meet its financial commitments. Accordingly, the Corporation developed an integrated risk management system. This system is designed to create a sound credit management environment and ensure that responsibilities are shared within the Corporation.

The Board charts the course for and approves credit strategies and policies. Senior management implements those strategies, develops the policies and ensures that the Corporation:

- possesses systems for assessing its credit risks and changes in them;
- has adequate management processes, i.e., generally accepted intervention criteria and well defined authorization and amendment processes;
- supervises the application of the portfolio management, monitoring and transaction review system;
- is equipped with the necessary controls for intervening in the event of credit deterioration.

Credit policies are designed to enable the Corporation to serve its clients effectively as part of its mission. They are used to define its guidelines for credit assessment, set appropriate pricing and reduce the risks associated with its financing operations.

The Corporation employs a system for classifying companies according to the financial risk they represent. Based on the Basel II Accord, this system is used to make an initial risk assessment and match pricing to risk level, assist in tracking changes in financing operations and monitor companies in difficulty.

CREDIT CONCENTRATION RISK

Credit concentration risk is the probability that a significant portion of the Corporation's financing operations outstanding might become concentrated in a single business, financial project, sector of the economy or geographic area, and thus render the Corporation vulnerable to any difficulties experienced by the business, product, sector or area. The Corporation is in the process of developing credit concentration management indicators, which will be incorporated into its operating reports.

MARKET RISK

Market risk is the risk the Corporation faces if interest rates, exchange rates and the prices of shares and options it holds move unfavourably and result in losses. In managing interest rate risk, the Corporation may use the strategy of a natural matching of its assets and liabilities, namely by contracting its loans appropriately. In addition, it uses synthetic derivatives traded on capital markets to supplement the matching of interest rate structures to its assets and liabilities. This operation is supported by an internal interest rate risk management policy.

LIQUIDITY RISK

Liquidity risk is associated with the difficulties that the Corporation might experience in obtaining capital at a reasonable cost due to a lack of available capital on the market, one-time events or market conditions. Liquidity risk also results from any difficulties the Corporation might encounter in liquidating, where applicable, certain assets acquired in the normal course of business.

Management of this risk is supported by an overall financing policy. The Corporation maintains a wide range of financing sources and has a borrowing program for both short- and long-term loans from Québec's Ministère des Finances as administrator of the Financing Fund.

Short-term borrowing agreements have also been concluded with financial institutions. The amounts authorized under these programs and agreements are designed to cover all contingencies.

HUMAN RESOURCES

WORKFORCE

The team at Investissement Québec includes 407 regular employees, i.e., 234 women and 173 men, who work in 16 offices across Québec and 8 offices located in the United States, Europe and Asia. During the year, the Corporation hired 23 replacements, 11 students and 6 trainees. Investissement Québec also relies on the services of 8 people recruited abroad. The turnover rate for the year was 4.3%, with the departures of 17 employees, 3 of whom retired.

The Corporation hired new employees to set up its integrated credit risk management group and to carry out new mandates entrusted to it during the year, such as the issuance of eligibility certificates for the tax holiday for manufacturing SMBs in remote resource regions.

CHANGES IN WORKFORCE [1]

	As at March 31, 2008			As at March 31, 2007
	Women	Men	Total	Total
Job Category				
Management	12	30	42	39
Professional	85	119	204	191
Legal	6	2	8	9
Technical	62	19	81	74
Clerical	69	3	72	72
TOTAL	234	173	407	385

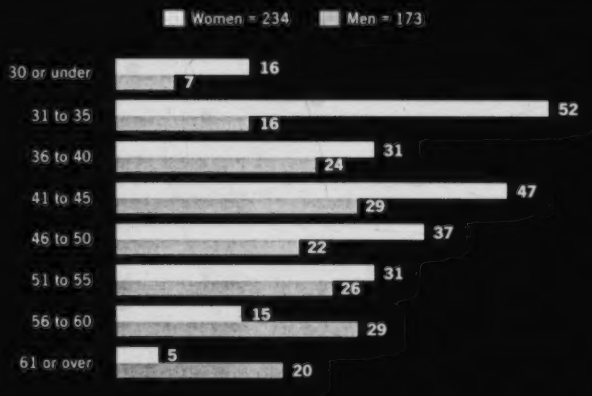
(1) Includes only regular employees.

GEOGRAPHIC DISTRIBUTION OF WORKFORCE [1]

	2007-2008
Bas-Saint-Laurent	7
Saguenay–Lac-Saint-Jean	7
Capitale-Nationale	109
Mauricie	2
Estrie	5
Montréal	218
Outaouais	3
Abitibi-Témiscamingue	2
Côte-Nord	2
Gaspésie–Îles-de-la-Madeleine	2
Chaudière-Appalaches	2
Laval	16
Montérégie	18
Centre-du-Québec	7
Outside Québec	7
TOTAL	407

(1) Includes only regular employees.

DISTRIBUTION OF WORKFORCE BY AGE GROUP



The Corporation is subject to the policy respecting equal access to employment in public bodies, which is designed to ensure fair representation of members of targeted groups at all levels of the organization, in accordance with the *Act respecting equal access to employment in public bodies*. In 2007-2008, 4.9% of the Corporation's employees were members of a visible minority and 1.7% were disabled.

The Corporation has a pay equity program, in accordance with the *Pay Equity Act*, which is intended to correct salary differences stemming from systematic discrimination based on the gender of people holding female-dominated jobs. Investissement Québec undertakes to ensure pay equity among its personnel when it creates new jobs or makes changes to its work organization.

With the exception of students and trainees, the Corporation's employees are represented by three unions: the Syndicat des professionnelles et professionnels du gouvernement du Québec (SPGQ), the Syndicat de la fonction publique du Québec (SFPQ) and the Association des juristes de l'État. Managers, for their part, can join the Association des cadres du gouvernement du Québec on an optional basis.

PERFORMANCE ASSESSMENT METHOD

According to the performance assessment method in effect, all the Corporation's employees, regardless of their position, are reviewed regularly on the basis of performance objectives set at the beginning of the year. Semi-annual review meetings between employees and managers create conditions that promote the achievement of the targeted objectives. The incentive compensation policy associated with this method requires all salary increases to be based on meeting or exceeding objectives.

SUSTAINABLE DEVELOPMENT

SUSTAINABLE DEVELOPMENT AT INVESTISSEMENT QUÉBEC

Investissement Québec adheres to the definition of "sustainable development" adopted by the Government of Québec in the *Sustainable Development Act*. In the *Act*, "sustainable development" is development that meets the needs of the present without compromising the ability of future generations to meet their own needs; it is based on a long-term approach that takes into account the inextricable nature of the environmental, social and economic dimensions of development activities.

Investissement Québec contributes significantly to the economic dimension of sustainable development. Both a financial institution and an economic development agency, it enables businesses, through its complementary financing solutions, to carry out projects that would probably not get off the ground without its support; it also offers businesses, particularly foreign companies, incentives aimed at encouraging the implementation of major investment projects and the consolidation of specific sectors of the economy all across Québec. The Corporation thus has a substantial favourable impact on employment and investment.

On a social level, Investissement Québec makes a positive contribution to public finance. The fiscal impact of its operations for the projects it supports surpasses the net cost it represents for the Government of Québec. Since 1998, its cost-benefit ratio has always been greater than 1.87/1, with an overall ratio of 3.71/1.

The direct impact of the Corporation's operations on the environment is limited. However, Investissement Québec has a considerable indirect influence on the environment when it supports the projects and activities of its clients in the manufacturing sector and forest industry.

The main risks inherent in the complete fulfillment of its economic development mandate are presently associated with the challenges weighing down the manufacturing sector. In reacting to changes in the structure of the Québec economy, the Corporation strives to adapt its products and services to the present and future needs of its clients so as to cover certain emerging sectors, take into account the development of the tertiary sector and the transformation of businesses in the manufacturing sector, support enterprises in the knowledge economy, and reposition traditional sectors.

During the next fiscal year, the Corporation will adopt a sustainable development action plan and follow a socially-responsible financing policy.

SUSTAINABLE DEVELOPMENT ACTION PLAN

Sustainable development was a priority for the Corporation even before it was required to comply with the *Sustainable Development Act*, which sets out 16 principles that the Government of Québec intends to follow. Not all these principles apply in the same way to the Corporation. However, several will have a considerable influence on its socially-responsible financing decisions, including the principles of economic efficiency, prevention, precaution, and responsible production and consumption. The Corporation will file its first sustainable development action plan in fiscal 2008-2009. A Sustainable Development Committee, made up of managers from the Corporation, has already started to draw up this plan, which will take the 16 principles into account as well as the priorities set out in the government's sustainable development strategy. In accordance with the *Act*, the Corporation will report on its sustainability measures in an annual report, once its action plan has been approved by the Board.

The Corporation carried out several initiatives in the area of sustainable development in 2007-2008. It set up an Awareness Committee made up of 10 volunteer employees whose mandate is to prepare a sustainable development training and awareness campaign for the entire staff. It then identified some 20 sources of waste for which it intends to take measures that will be presented to employees in fall 2008. It also decided to apply Global Reporting Initiative (GRI) principles in this annual report.

SOCIALLY-RESPONSIBLE FINANCING POLICY

The members of the Board have mandated the Sustainable Development Committee to draw up a socially-responsible financing policy by late 2008 according to the guidelines provided in 2007. This policy will enable Investissement Québec to incorporate sustainable development principles in its decision-making and to define its commitment in this respect. It will also set out the principles the Corporation endorses and intends to uphold. Investissement Québec will finalize its socially-responsible financing policy during the next fiscal year. This policy should allow it to reduce the environmental risk associated with its financing activities and could enable its clients to benefit from sustainable development.

SUSTAINABLE DEVELOPMENT REPORT

This annual report, which also serves as a sustainable development report, was prepared in accordance with Global Reporting Initiative (GRI) guidelines.[16] Created in 1997 at the initiative of the US Coalition for Environmentally Responsible Economies (CERES), the GRI is a large worldwide network of representatives from the business world, non-government organizations, accounting bodies and institutional investment firms. Its objective is to develop and disseminate guidelines that organizations can use to report on their economic, environmental and social performance.

This is Investissement Québec's first sustainable development report—a report it will now publish every year. The Corporation deems that this report meets 36 performance indicators[17] and complies with[18] the B application level,[19] thus demonstrating its commitment to sustainable development. It has already taken steps to broaden the scope of its next report.

Investissement Québec has made every effort to comply with GRI principles in the quality and content of its report. The indicators presented relate to its main activities and reflect, by and large, the impact they have on each dimension of sustainable development. They also enable stakeholders to fully grasp the Corporation's contribution to sustainable development and the issues arising from it. However, given the constraints inherent in the production of an initial sustainability report, the Corporation did not directly include its stakeholders in the preparation of this report. It intends to strengthen ties in this respect next year.

To determine the indicators applicable to its activities, the Corporation benchmarked the indicators presented by a group of 10 financial institutions that published an A application level report. It also consulted a corporation that is a GRI stakeholder—Fondaction, le Fonds de développement de la Confédération des syndicats nationaux (CSN) pour la coopération et l'emploi.

Unless otherwise indicated, the information presented in this report covers all the activities of Investissement Québec and its subsidiaries. The data were taken directly from the Corporation's information systems or derived from estimates and simulations prepared internally and externally. Where applicable, the assumptions used are provided in this report.

Any question about sustainable development may be forwarded to the Department of Performance Appraisal, which is responsible for the production of information on sustainable development indicators.

16 For detailed information on the Sustainability Reporting Framework, please visit the GRI web site at www.globalreporting.org.

17 The list of indicators selected is provided in the GRI index at the end of this section.

18 This report has not been subject to an external audit.

19 GRI-based reports are classified according to three GRI Reporting Framework application levels, i.e., A, B and C, with A being the most demanding.

STAKEHOLDERS

Investissement Québec identified its stakeholders by defining the main players involved in carrying out its mission. Its primary stakeholders are its clients, partners, employees, the government and its suppliers.

The Corporation has not received any comments from clients, partners or suppliers about sustainable development through the usual channels. However, it intends to initiate discussions with them and to inform them of its commitment to take sustainable development into account in its business relations.

CLIENTS

The Corporation's clientele is made up of local, national and international businesses, including SMBs and large companies. The Corporation's portfolio managers, business developers and other professionals establish business relations with clients; they are thus attentive to their needs and concerns.

The Corporation conducts a survey on its new clients every month to measure their level of satisfaction with regard to different criteria. It also organizes discussion groups with its clients.

PARTNERS

The Corporation's partners include financial institutions, government departments and agencies, regional and sector-based associations, as well as social economy and cooperative organizations. Financial institutions must be accredited by the Corporation to participate with it in the financing of investment projects.

The Corporation establishes sound relations with its partners by communicating with them and participating with them in various activities which it organizes or attends. This dialogue enables the Corporation to gain a clear understanding of their concerns and to forward the pertinent information to the appropriate departments so it can monitor changes in their financial needs.

EMPLOYEES

There are various channels of communication between the Corporation's employees and senior management, which include the intranet site. Through this site, the President and Chief Executive Officer and other members of Management communicate regularly with employees. For their part, employees can email their comments or questions to Management; they can also contact the Management Committee.

The Corporation generally organizes meetings for all employees twice a year. These meetings are an opportunity for senior management to present the Corporation's main projects as well as the direction it intends to take. They are also an opportunity for employees to ask the President and Chief Executive Officer questions.

The Corporation polls its employees to assess their satisfaction with the organizational climate and to evaluate the quality of internal services.

In fall 2007, the Corporation set up a Sustainable Development Committee and an Awareness Committee so that employees can take part in creating a culture of sustainable development at Investissement Québec.

GOVERNMENT

Investissement Québec is a government agency that reports to the Minister of Economic Development, Innovation and Export Trade.

Since it is subject the *Sustainable Development Act*, the Corporation is required to adopt a sustainable development plan that is in line with the considerations set out in the *Act respecting governance*. In its annual report, it will be required to report on the progress or completion of the measures provided for in its plan, which will be published in the near future.

SUPPLIERS

Investissement Québec obtains its physical resources mainly from the Centre de services partagés du Québec (CSPQ), which serves all Government of Québec departments and agencies. The Corporation deals with the Société immobilière du Québec (SIQ) for its offices and their design. Both the CSPQ and the SIQ are subject to the *Sustainable Development Act*.

The Corporation also relies on suppliers for information resources and various other professional services.

PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE INDICATORS

The Corporation's activities are closely related to the economic dimension of sustainability. It has been analyzing the economic impact of its operations and reporting on them in its annual report for a good number of years.

ENVIRONMENTAL PERFORMANCE INDICATORS

Investissement Québec is concerned about environmental issues and is setting specific objectives in its sustainable development action plan to reduce the impact of its own activities on the environment. It is presently taking stock of different environmental indicators so it can take concrete measures in the near future.

Materials Used

The main material used by the Corporation is paper. In 2007-2008, it used 24.5 tonnes of paper in the course of its business. The paper it used contained 30% recycled material. To reduce its consumption of paper, it has undertaken several initiatives; for example, it has added a reminder about the environment to the footer of all employee emails and has started using double-sided printing as a default.

Waste and Recycling

In cooperation with the real estate companies that own the offices it occupies, the Corporation recovers several recyclable materials, including paper, plastic, metal, glass, batteries, ink cartridges and computers. At present, there is no method of accounting for the volume of waste or recycled materials. However, steps have been taken in this respect with the real estate companies in question.

Energy

The main source of energy used by Investissement Québec is electricity. The Corporation estimates[20] that it used 1,942,159 kWh of electricity in 2007, primarily to heat, air-condition and light its offices. Since electricity is a renewable source of energy in Québec, 97% of which is generated from water, the greenhouse gases and other atmospheric pollutants associated with it are negligible. The fuel used for car travel is another energy expenditure. During fiscal 2007-2008, employees drove 523,996 kilometres for work-related purposes, using 41,920 litres of gas. This travel produced greenhouse gas emissions[21] containing 98.9 tonnes of carbon dioxide (CO_2), 6.7 kg of nitrous oxide (N_2O) and 5.0 kg of methane (CH_4), for total greenhouse gas emissions of 101.1 tonnes of CO_2 equivalents.[22] This travel also produced atmospheric pollutants,[23] i.e., 39.7 tonnes of carbon monoxide (CO), 53.1 kg of sulphur dioxide (SO_2) and 1 tonne of nitrogen oxide (NO_2). Changes are now being made so that the Corporation can, as of next year, account for the distances traveled using other means of transportation—such as public transit, taxi, train and airplane—and for the greenhouse gases and other pollutants emitted by them. The Corporation is recommending alternate solutions to reduce greenhouse gas emissions and other atmospheric pollutants, such as car pooling, public transit, cycling and walking. In order to reduce employee travel for meetings, it has set up a videoconference room in its main business centres. Some regional offices also have access to videoconferencing facilities.

Water

The water consumed is used primarily in the kitchens and rest rooms and for office maintenance purposes. It is difficult to quantify the water used, since the Corporation's offices are not equipped with meters. The Corporation obtains its water from municipal systems: waste water goes into the sewers. In 2007-2008, it also purchased 16,060 litres of spring water.

MAIN ENVIRONMENTAL INDICATORS

	2007-2008
Paper consumption	24.5 t
Electricity consumption	1,942,159 kWh
Gas consumption	41,920 l
Carbon dioxide (CO_2) emissions	98.9 t
Nitrous oxide (N_2O) emissions	6.7 kg
Methane (CH_4) emissions	5.0 kg
Total greenhouse gas emissions	101.1 t CO_2 eq.
Carbon monoxide (CO) emissions	39.7 t
Sulphur dioxide (SO_2) emissions	53.1 kg
Nitrogen oxide (NO_2) emissions	1.0 t
Spring water consumption	16,060 l

20 This estimate is based on the total electricity consumption of the World Trade Centre Montréal, divided by the space occupied by Investissement Québec offices. Data on the electricity consumption of the other Investissement Québec offices are not available.

21 The GGE coefficients used are from the *National Inventory Report, 1990-2005: Greenhouse Gas Sources and Sinks in Canada*, published by Environment Canada in April 2007. These coefficients are as follows: 2,360 g/l for CO_2, 0.12 g/l for CH_4 and 0.16 g/l for N_2O. They represent the emissions of mid-range vehicles, which consume 8 litres/100 km.

22 The conversion rates for CH_4 and N_2O into CO_2 equivalents are as follows: 1 g of CH_4 is equal to 21 g of CO_2 and 1 g of N_2O is equal to 310 g of CO_2.

23 Atmospheric pollutant emissions were calculated using emission factors provided by Environment Canada. These coefficients are as follows: 946.65.3 kg/m³ for CO, 1,268 kg/m³ for SO_2 and 24,610 kg/m³ for NO_2.

SOCIAL PERFORMANCE INDICATORS

Rules of Conduct

Code of Ethics of Employees of Investissement Québec and its Subsidiaries

On October 29, 2002, the Board of Directors adopted the *Code of Ethics of Employees of Investissement Québec and its Subsidiaries*. This code sets out the rules of conduct and behaviour to be followed to protect the interests of the Corporation, its clients, suppliers, partners and the government. It is a complement to the laws governing Québec society, collective agreements and professional codes of practice guiding the work of the Corporation's employees. It is available on the Corporation's web site.

The code specifies the main principles upheld by the Corporation and the procedures is has introduced to ensure compliance with human rights and guard against corrupt practices.

When it comes to human rights, the code specifies that employees must exhibit a spirit of collaboration, courtesy and fairness by showing respect and impartiality toward clients, suppliers, partners and other employees of the Corporation, and that they must avoid any preference or bias that cannot be justified and that may stem from prejudices based, among other things, on gender, colour, religion or political convictions.

As for anti-corruption procedures, the code states that employees must not use their status as employees of the Corporation to derive an advantage for themselves, a business relation or a person with whom they are related.

During the fiscal year, the Corporation held training sessions for some of its employees on certain articles of the code. Two years ago, it organized a general information session for all employees. The entire staff has a responsibility to read the code and to refer to it in their everyday work.

No incident involving discrimination or corruption was brought to the Corporation's attention in 2007-2008.

Code of Ethics of the Board of Directors

On September 26, 2000, the Board of Directors adopted the *Code of Ethics of the Board of Directors*, which contains principles that reflect the Corporation's mission, core values and general management rules. The code is provided on page 127 of this report. No complaint was reported about the directors.

Management Tools Supporting or Reinforcing the Codes of Ethics

The workplace anti-psychological harassment policy is designed to support compliance with the psychological harassment provisions of the *Act respecting labour standards*, adopted on June 1, 2004.

The awarding and management of contracts to suppliers are governed by a guideline. In addition to supporting compliance with the *Code of Ethics*, this guideline establishes rules of conduct ensuring implementation of the *Regulation respecting supply contracts, construction contracts and service contracts of government departments and public bodies*. The *Regulation* contains requirements providing for the application of equal access programs in accordance with the *Charter of Human Rights and Freedoms*.

The rules of conduct established to avoid conflicts of interest and the appearance of conflicts of interest arising from the acceptance of gifts, donations, services, advantages and other favours are set out in a guideline.

The Corporation lists the securities and interests on which it cannot conduct transactions in a register of securities and interests under embargo. All employees must fill out an annual declaration regarding the acquisition and disposal of securities and interests under embargo. A reminder to that effect is issued periodically.

Action Plan for People with Disabilities

In 2007, the Corporation updated its Action Plan for People with Disabilities. The plan contains measures that take into account the needs of people with disabilities and the situation of Investissement Québec, i.e., its mission, the context in which it carries on its business, and the type of services it offers its clients.

Investissement Québec in the Community

The employees of Investissement Québec played an active role in the 2007 Entraide campaign, which raised funds for three large charitable organizations. All donations are used exclusively in Québec. The total amount raised this year was $18,184.

Employee Assistance Program

Investissement Québec offers its personnel a confidential Employee Assistance Program (EAP) free of charge. The program is an external consulting service for employees and their families grappling with personal or professional problems.

GRI INDEX

The following table indicates the pages of this report providing information about the GRI indicators. The numeric codes refer to Investissement Québec's strategy, profile and governance, while the alphanumeric codes listed after them correspond to the sustainable development indicators selected by the Corporation to assess its economic, environmental and social performance.

Code	Indicator	Pages
1. STRATEGY AND ANALYSIS		
1.1	Statement of the President and CEO about the relevance of sustainability to the organization and its strategy	8, 9
1.2	Descriptions of the key impacts, risks and opportunities	57, 58
2. ORGANIZATIONAL PROFILE		
2.1	Name of the organization	cover
2.2	Primary products and services	2, 3, 125, 126
2.3	Operational structure of the organization	36, 46
2.4	Location of the head office	130
2.5	Number of countries where the organization operates	130
2.6	Nature of ownership and legal form	79
2.7	Markets served	21, 22, 130
2.8	Scale of the organization	4, 5, 52, 53, 79
2.9	Significant changes to the organization or its ownership during the reporting period [1]	n/a
2.10	Awards received during the reporting period	32
3. REPORT PARAMETERS		
3.1	Reporting period	1
3.2	Date of most recent report published	58
3.3	Reporting frequency	58
3.4	Contact for questions concerning the report or its content	58
3.5	Process for defining report content	58
3.6	Boundary for the report	58
3.7	Specific limitations on the scope or boundary of the report	58
3.8	Basis for disclosure of information on joint ventures, subsidiaries, leased facilities and outsourced operations	58
3.9	Data measurement techniques and the bases of calculations	58
3.10	Restatements of information provided in earlier reports	58
3.11	Significant changes from previous reporting periods in the scope or measurement methods applied	58
3.12	Table identifying the location of the standard disclosures in the report	64-66
3.13	Policy and current practice with regard to seeking external assurance for the report	50
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
4.1	Governance structure of the organization	37-42, 46, 47
4.2	Status of the Chair of the Board of Directors	37-40
4.3	Number of independent directors	37-40

(1) No significant change was made during the reporting period.

Code	Indicator	Pages
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board of Directors	79
4.5	Relationship between the organization's performance and compensation of the members of the Board of Directors, senior managers and officers	43-45
4.6	Processes in place for the Board of Directors to ensure conflicts of interest are avoided	41, 42, 62, 63, 127, 128
4.7	Process for determining the qualifications and expertise of the members of the Board of Directors	41, 42
4.8	Internally developed statements of mission or values, codes of conduct and principles	2, 3, 29, 30, 62, 63
4.9	Procedures of the Board of Directors for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities	37, 42, 46, 48-51
4.10	Processes for evaluating the Board of Director's own performance	41, 42
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	49-51
4.12	Externally developed economic, environmental and social charters, principles or other initiatives which the organization subscribes to or endorses	57, 58
4.13	Memberships in associations and/or national/international advocacy organizations [2]	n/a
4.14	List of stakeholder groups	59, 60
4.15	Identification and selection of stakeholders	59, 60
4.16	Approaches to stakeholder engagement	59, 60
4.17	Key topics and concerns raised through stakeholder engagement	29, 59, 60
ECONOMIC PERFORMANCE INDICATORS		
Management Approach		6-9, 13-25, 28-33, 37, 41, 42, 46, 48-51, 57, 58
EC1	Direct economic value generated and distributed	75, 104
EC3	Coverage of the organization's defined benefit plan obligations	88, 112
EC4	Significant financial assistance received from the government	75, 79, 86, 87
EC9	Understanding and description of significant indirect economic impacts	31, 32, 119-124
ENVIRONMENTAL PERFORMANCE INDICATORS		
Management Approach		2, 3, 6-9, 37, 41, 42, 57, 58, 60, 61
EN1	Materials used by weight and volume	60, 61
EN2	Percentage of materials used that are recycled input materials	60, 61
EN3	Direct energy consumption by primary energy source	60, 61
EN4	Indirect energy consumption by primary energy source	60, 61
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	60, 61
EN8	Total water withdrawal by source	60, 61
EN9	Water sources significantly affected by withdrawal of water	60, 61
EN10	Percentage and total volume of water recycled and reused	60, 61
EN16	Total direct and indirect greenhouse gas emissions by weight	60, 61

(2) The Corporation is not affiliated with any association.

GRI INDEX

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3.7	Specific limitations on the scope or boundary of the report	58
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3.9	Data measurement techniques and the bases of calculations	58
3.10	Restatements of information provided in earlier reports	58
3.11	Significant changes from previous reporting periods in the scope or measurement methods applied	58
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4.6	Processes in place for the Board of Directors to ensure conflicts of interest are avoided	41, 42, 62, 63, 127, 128
4.7	Process for determining the qualifications and expertise of the members of the Board of Directors	41, 42
4.8	Internally developed statements of mission or values, codes of conduct and principles	2, 3, 29, 30, 62, 63
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4.10	Processes for evaluating the Board of Director's own performance	41, 42
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	49-51
4.12	Externally developed economic, environmental and social charters, principles or other initiatives which the organization subscribes to or endorses	57, 58
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4.15	Identification and selection of stakeholders	59, 60
4.16	Approaches to stakeholder engagement	59, 60
4.17	Key topics and concerns raised through stakeholder engagement	29, 59, 60

ECONOMIC PERFORMANCE INDICATORS

Management Approach		6-9, 13-25, 28-33, 37, 41, 42, 46, 48-51, 57, 58
EC1	Direct economic value generated and distributed	75, 104
EC3	Coverage of the organization's defined benefit plan obligations	88, 112
EC4	Significant financial assistance received from the government	75, 79, 86, 87
EC9	Understanding and description of significant indirect economic impacts	31, 32, 119-124

ENVIRONMENTAL PERFORMANCE INDICATORS

Management Approach		2, 3, 6-9, 37, 41, 42, 57, 58, 60, 61
EN1	Materials used by weight and volume	60, 61
EN2	Percentage of materials used that are recycled input materials	60, 61
EN3	Direct energy consumption by primary energy source	60, 61
EN4	Indirect energy consumption by primary energy source	60, 61
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	60, 61
EN8	Total water withdrawal by source	60, 61
EN9	Water sources significantly affected by withdrawal of water	60, 61
EN10	Percentage and total volume of water recycled and reused	60, 61
EN16	Total direct and indirect greenhouse gas emissions by weight	60, 61

(2) The Corporation is not affiliated with any association

Code	Indicator	Pages
EN17	Other relevant indirect greenhouse gas emissions by weight	60, 61
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	60, 61
EN20	NO, SO and other significant air emissions by type and weight	60, 61
EN21	Total waste water discharge	60, 61
EN22	Total weight of waste by type and disposal method	60, 61
EN29	Significant environmental impacts related to transportation	60, 61
SOCIAL PERFORMANCE INDICATORS		
Management Approach		6-9, 37, 41, 42, 57, 58, 62, 63
LABOUR PRACTICES		
LA1	Total workforce by employment type, employment contract and region	52, 53
LA2	Total employee turnover (number and rate) by age group, gender and region	52, 53
LA4	Percentage of employees covered by collective agreements	52, 53
LA8	Programs in place to assist employees, their families or community members in the event of serious diseases	63
LA10	Hours of training per year per employee per employee category	33
LA12	Percentage of employees receiving regular performance and career development reviews	53
LA13	Composition of the Board of Directors and committees, and breakdown of employees by indicator of diversity	37-42, 46, 52, 53
LA14	Ratio of basic salary of men to women by employee category	52, 53
HUMAN RIGHTS		
HR2	Percentage and total number of significant suppliers and contractors that have undergone screening on human rights	62, 63
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights, including the percentage of employees trained	62, 63
HR4	Total number of incidents of discrimination and actions taken	62, 63
HR5	Right to exercise freedom of association and collective bargaining	52, 53
SOCIETY		
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	62, 63
SO4	Actions taken in response to incidents of corruption	62, 63
PRODUCT RESPONSIBILITY		
PR5	Practices regarding client satisfaction	29, 30
PR7	Number of incidents of non-compliance with regulations and code concerning marketing communications	32
PR8	Total number of substantiated complaints regarding breaches of client privacy and losses of client data	29, 30

FINANCIAL INFORMATION

FINANCIAL REVIEW BY MANAGEMENT

GENERAL COMMENTS

The Corporation's consolidated financial statements include the financial statements of its wholly owned subsidiaries: IQ Immigrants Investisseurs inc., IQ FIER inc., 9037-6179 Québec inc., 9071-2076 Québec inc., 9109-3294 Québec inc. and La Financière du Québec. These statements consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of change in equity, the consolidated statement of cash flows and the accompanying notes to consolidated financial statements.

The financing operations included in the Corporation's portfolio fall into three major categories: operations for which losses are assumed by the Government of Québec; operations for which losses are assumed jointly by the government and the Corporation according to various percentages; and operations for which losses are assumed entirely by the Corporation. The portion of the portfolio for which losses are assumed by the government and the portion for which losses are assumed by the Corporation are shown separately in the accompanying notes to financial statements.

The value of the Corporation's portfolio under management amounted to $7.2 billion as at March 31, 2008.

On April 1, 2007, the Corporation adopted the new accounting standards for financial instruments published by the Canadian Institute of Chartered Accountants. The figures for the year ended March 31, 2007 were not restated, in accordance with the transitional provisions set out, and are not comparable with those for the year ended March 31, 2008.

Under these new standards, financial instruments, including loans, shares, units and loan guarantees, are accounted for at their fair value at the time of their initial recognition. Therefore, for a financial instrument whose performance is weaker than that of the market, the benefit conferred to the client is now recorded as an expense in the year in which the initial recognition was conducted. The benefit thus offered by the Corporation totally reflects its economic development mission, as its financing is complementary to that of financial institutions.

Lastly, the Accounting Standards Board of Canada (AcSB) recently published an exposure draft on the adoption of International Financial Reporting Standards (IFRS). These new standards will apply to entities required to fulfill public accountability criteria, which is the Corporation's case. The Corporation will thus have to conduct a transition toward the adoption of a single set of worldwide standards: the International Financial Reporting Standards. This new set of standards must be applied as of fiscal 2011-2012. Information on the transition and its anticipated impact must be included in financial statements for the years ended March 31, 2010 and March 31, 2011.

Over the course of the next fiscal year, the Corporation will analyze the impact of the new standards on its financial statements.

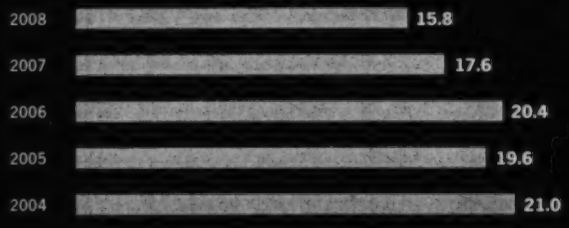
BALANCE SHEET

The Corporation's total assets as at March 31, 2008 stood at $5.1 billion. These assets consist primarily of notes receivable from the Government of Québec with respect to the IQ Immigrant Investor Program ($2.7 billion), loans less provision for losses ($560.6 million) and shares ($55.6 million).

Guarantees, less guarantee liability, amounted to $2.0 billion.

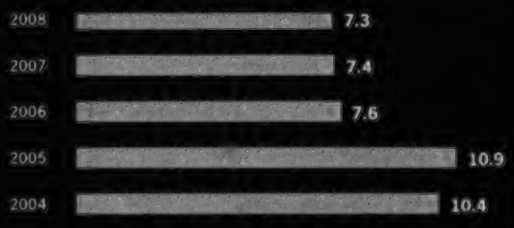
The accumulated provision for losses was of $511.7 million as at March 31. This provision represents 15.8% of the balance of the Corporation's financing operations portfolio. The following table shows the accumulated provision for losses expressed as a percentage of the portfolio for the past five years:

ACCUMULATED PROVISION FOR LOSSES AS A % OF THE PORTFOLIO



Changes in the debt/equity ratio, representing the ratio of the Corporation's total short- and long-term debt over equity, are as follows:

DEBT/EQUITY RATIO



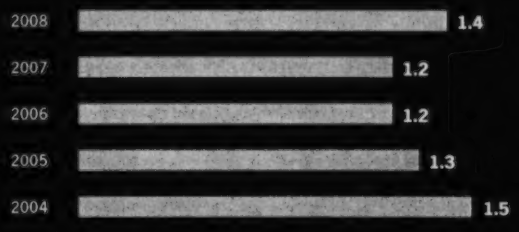
Moreover, the ratio of equity over net value of the financing operations portfolio for which losses are assumed by the Corporation stood at 1.96 as at March 31, 2008, a reflection of the Corporation's sound capitalization with respect to the risk for which it assumes losses.

STATEMENT OF INCOME

The Corporation posted net income of $37.4 million for the year ended March 31, 2008, itemized as follows: net interest income ($38.4 million), other income ($171.6 million), provision for losses assumed by the Corporation ($13.6 million), representing 3.9% of the average portfolio in 2007-2008, and non-interest expenses ($159.0 million).

Administrative expenses stood at $50.0 million. Expressed as a percentage of the average balance of the financing operations portfolio, their evolution over the past five years is as follows:

ADMINISTRATIVE EXPENSES AS A % OF THE AVERAGE PORTFOLIO



STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income reports net income as well as net change in unrealized gains and losses on certain assets grouped together as "available-for-sale financial assets." Comprehensive income amounted to $34.0 million as at March 31, 2008.

FINANCIAL STATEMENTS

DECLARATION OF RESPONSIBILITY FOR FINANCIAL INFORMATION

Management assumes responsibility for the preparation and presentation of the consolidated financial statements of Investissement Québec and for the other information disclosed in this annual report.

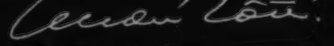
The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The financial information appearing elsewhere in this annual report is consistent with that contained in the financial statements.

The Corporation's accounting system, as well as its internal controls and procedures, is designed to ensure the reliability of financial data and to provide reasonable assurance that the Corporation's assets are adequately protected against any loss or unauthorized use.

The financial statements have been approved by the Board of Directors, which oversees Management's responsibilities for financial reporting. The Board exercises its responsibilities through the Audit Committee. This Committee meets with Management and the auditors, reviews the financial statements and recommends their approval to the Board. The Audit Committee also receives copies of the audit reports on the optimization of resources and compliance with laws and regulations.

Jacques Daoust
President and Chief Executive Officer



André Côté
Executive Vice-President, General Administration

AUDITORS' REPORT

To the National Assembly,

We have audited the consolidated balance sheet of Investissement Québec as at March 31, 2008, and the consolidated statements of income, comprehensive income, change in equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statements presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles. As required by the *Auditor General Act* (R.S.Q., c. V-5.01), we report that, in our opinion, except for the retrospective application of the change to the accounting and valuation of financial instruments as explained in notes 2 and 3, these principles have been applied on a basis consistent with that of the preceding year.

Renaud Lachance, CA
Auditor General of Québec

Québec City, May 26, 2008

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.
Chartered Accountants

Québec City, May 26, 2008

CONSOLIDATED BALANCE SHEET

As at March 31 (in thousands of dollars)

	2008	2007
ASSETS		
Cash	1,946	9,440
Temporary investments (note 4)	97,487	17,492
Investments (note 5)	3,010,516	2,655,603
Loans, less accumulated provision for losses (notes 6 and 11)	560,561	770,827
Shares (notes 7 and 11)	55,570	307,263
Units (notes 8 and 11)	1,919	2,074
Receivable guarantee fees, less accumulated provision for losses (notes 9 and 11)	115,232	-
Contributions recoverable from the Government of Québec–Benefits conferred to clients and other amounts	810,910	-
Accumulated provision for losses recoverable from the Government of Québec (note 11)	453,610	637,625
Other assets (note 12)	11,032	110,828
	5,118,783	4,511,152
LIABILITIES AND EQUITY		
Liabilities		
Short-term borrowings (note 13)	255,800	58,000
Long-term borrowings (note 14)	3,778,372	3,722,126
Interest due and accrued on borrowings from the Government of Québec Financing Fund	17,747	18,904
Guarantee liability (notes 10 and 11)	250,683	172,924
Deferred benefits conferred by immigrant investors	223,670	-
Other liabilities (note 15)	43,593	29,813
	4,569,865	4,001,767
Equity		
Initial equity	32,944	32,944
Retained earnings	511,446	476,441
Accumulated other comprehensive income	4,528	-
	515,974	476,441
	548,918	509,385
	5,118,783	4,511,152
GUARANTEES, LESS GUARANTEE LIABILITY (NOTES 10 AND 11)	1,984,273	2,276,569

Financing and investment commitments (note 27)
Other commitments (note 28)
Contingencies (note 31)

The accompanying notes form an integral part of the financial statements.

For the Board of Directors,

Robert Cloutier
Chair of the Board of Directors

Michael Ross, CA
Chair of the Audit Committee

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31 (in thousands of dollars)

	2008	2007	2006
INTEREST INCOME			
Interest on financing operations	102,582	52,686	42,710
Interest on notes receivable from the Government of Québec	107,154	95,215	79,056
Interest on cash and temporary investments	1,337	1,145	648
Interest contributions from the Government of Québec	–	45,095	33,480
	211,073	194,141	155,894
INTEREST EXPENSE (NOTE 16)	172,662	51,857	38,716
NET INTEREST INCOME	38,411	142,284	117,178
OTHER INCOME			
Benefits conferred by immigrant investors	109,790	–	–
Guarantee fees	35,187	22,073	19,696
Risk premiums			
Stock options (note 17)	852	2,720	3,523
Share-in-income and other premiums	6,046	9,132	4,862
Commitment fees	6,373	6,599	12,151
Other income (note 18)	13,304	14,905	144,405
	171,552	55,429	184,637
	209,963	197,713	301,815
PROVISION			
Provision for losses (note 11)	184,703	(4,899)	235,888
Provision for losses recoverable from the Government of Québec (note 11)	(171,107)	8,253	(228,234)
	13,596	3,354	7,654
NON-INTEREST EXPENSES			
Financial contributions (note 19)	181,159	69,535	62,628
Financial contributions assumed by the Government of Québec (note 19)	(126,706)	(19,666)	(25,162)
Fees to financial intermediaries	50,540	39,545	32,650
Administrative expenses (note 20)	49,996	47,639	43,350
Other expenses (note 21)	4,006	3,789	3,891
	158,995	140,842	117,357
NET INCOME	37,372	53,517	176,804

The accompanying notes form an integral part of the financial statements.

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The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31 (in thousands of dollars)

	2008
NET INCOME	37,372
Other items of comprehensive income	
Unrealized net losses on available-for-sale financial assets	(2,891)
Reclassification in net income of gains on available-for-sale financial assets	(480)
NET CHANGE IN UNREALIZED LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	(3,371)
COMPREHENSIVE INCOME	34,001

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the year ended March 31 (in thousands of dollars)

	2008	2007
INITIAL ASSETS	32,944	32,944
Retained earnings, beginning of year	476,441	422,924
Initial impact of adoption of financial instrument accounting standards (note 3)	(2,367)	–
Net income	37,372	53,517
RETAINED EARNINGS, END OF YEAR	511,446	476,441
Accumulated other comprehensive income, beginning of year	–	–
Initial impact of adoption of financial instrument accounting standards (note 3)	7,899	–
Net change in unrealized losses on available-for-sale financial assets	(3,371)	–
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF YEAR	4,528	–
ASSETS	548,918	509,385

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31 (in thousands of dollars)

	2008
NET INCOME	37,372
Other items of comprehensive income	
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Net income	37,372	53,517
RETAINED EARNINGS, END OF YEAR	511,446	476,441
Accumulated other comprehensive income, beginning of year	-	-
Initial impact of adoption of financial instrument accounting standards (note 3)	7,899	-
Net change in unrealized losses on available-for-sale financial assets	(3,371)	-
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF YEAR	4,528	-
ASSETS	548,918	509,385

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31 (in thousands of dollars)

	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	37,372	53,517	176,804
Adjustments for:			
Amortization of issuance expenses on long-term borrowings	685	719	719
Amortization of premium on long-term borrowings	(1,129)	(1,129)	(1,129)
Amortization of premiums and discounts on investments	(106,024)	(93,847)	(77,310)
Amortization of deferred fees to financial intermediaries	–	29,686	24,509
Benefits conferred by immigrant investors	(109,790)	–	–
Interest expenses related to notes from immigrant investors	106,321	–	–
Benefits conferred to clients	89,479	–	–
Benefits conferred to clients assumed by the Government of Québec	(86,951)	–	–
Notional interest income	(102,570)	–	–
Notional guarantee fees	(34,367)	–	–
Revaluation of contributions as benefits conferred to clients	(1,587)	–	–
Loss resulting from change in fair value of publicly traded participating shares	698	–	–
Interest on guarantee liability	12,266	–	–
Gain on disposal of shares and units of private businesses	(755)	(66)	(136,437)
Gain on available-for-sale financial assets	(480)	(1,338)	(1,165)
Change in unrealized loss in value of investments	7,560	2,608	515
Unrealized loss (gain) on foreign exchange	(3,233)	(149)	284
Unrealized loss resulting from change in fair value of derivative financial instruments	8,593	1,062	5,973
Provision for losses	184,703	(4,899)	235,888
Provision for losses recoverable from the Government of Québec	(171,107)	3,253	(228,234)
Amortization of fixed assets and finite life intangible assets	1,027	864	800
Loss on disposal of fixed assets and finite life intangible assets	2	–	–
Share of income—Entity subject to significant influence, Canadair Québec Capital S.E.N.C.	–	53	9
Change in operating assets and liabilities (note 22)	10,868	634	25,071
	(158,419)	(4,032)	26,297
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Net decrease (increase) in temporary investments with original maturities in excess of three months	(24,165)	–	397
Acquisition of investments	(841,647)	(551,935)	(584,410)
Disposal of investments	591,050	274,872	107,456
Net decrease (increase) in loans	(106,673)	9,069	(86,260)
Net decrease in shares	15,410	284	160,861
Net decrease (increase) in units	(73)	(46)	88
Net decrease in receivable guarantee fees	21,613	–	–
Premiums on derivative financial instruments	–	–	(5,386)
Additions to fixed assets and finite life intangible assets	(1,460)	(1,405)	(673)
Deferred fees to financial intermediaries	–	(30,942)	(32,057)
	(345,945)	(300,103)	(439,984)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term borrowings	197,800	(43,900)	(134,000)
Long-term borrowings	766,300	587,300	567,067
Repayment of long-term borrowings	(411,400)	(216,000)	(24,000)
	552,700	327,400	409,067
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,336	23,265	(4,620)
Cash and cash equivalents, beginning of year	26,932	3,667	8,287
CASH AND CASH EQUIVALENTS, END OF YEAR	75,268	26,932	3,667
CASH AND CASH EQUIVALENTS			
Cash	1,946	9,440	–
Temporary investments	73,322	17,492	9,608
Bank overdraft	–	–	(5,941)
	75,268	26,932	3,667
ADDITIONAL INFORMATION			
Interest paid	55,946	48,597	36,343

The accompanying notes form an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2008 (in thousands of dollars unless otherwise indicated)

1. INCORPORATING LEGISLATION AND NATURE OF ACTIVITIES

Investissement Québec is a legal entity established in the public interest that is incorporated under and governed by the *Act respecting Investissement Québec and La Financière du Québec* (R.S.Q., c. I-16.1). Under section 2 of its incorporating act, the Corporation is a mandatary of the State and is therefore not subject to income tax in Québec or Canada.

Investissement Québec's mission is to promote the growth of investment in Québec and thereby contribute to economic development and job creation. The Corporation centralizes and consolidates government initiatives to seek out, promote and support investment. The Corporation strives to foster domestic investment and attract investors from outside Québec by promoting Québec as a prime location for investment. Investissement Québec participates in the growth of businesses by facilitating research and development as well as export activities. The Corporation also seeks to retain current investment by supporting companies in Québec. Furthermore, the Corporation provides companies, government departments and agencies, as well as state-owned corporations with technical services, particularly with respect to financial analysis, financing arrangements and portfolio management. Investissement Québec administers all financial assistance programs developed by the government with respect to investment. The Corporation also administers the *Act respecting Québec business investment companies* (R.S.Q., c. S-29.1) and carries out any mandates entrusted to it by the government under sections 28 and 29 of its incorporating act. It uses its financing operations to support Québec-based businesses and companies setting up operations in Québec, mainly by granting them loans or guaranteeing their financial commitments with financial institutions. It also administers financial assistance programs stemming from the *Act respecting assistance for the development of cooperatives and non-profit legal persons* (R.S.Q., c. A-12.1). Under Bill 68, approved by the National Assembly on December 13, 2005, Investissement Québec acquired the rights and assumes the obligations of the Société de développement de la Zone de commerce international de Montréal à Mirabel, which has been dissolved. Also, under Order in Council 1027-2006, dated November 8, 2006, Investissement Québec acquired the rights and assumes the obligations of Innovation-Papier (INNO-PAP), which has been dissolved.

Section 46 of the *Act respecting Investissement Québec and La Financière du Québec* requires that the parent company formulate a strategic plan, which includes the operations of its subsidiaries, according to the form, content and intervals set by the Government of Québec. This plan was approved on August 28, 2007 (Order in Council 743-2007) and ends on March 31, 2010. Under the plan, the Government of Québec contributes to the Corporation's funding by reimbursing financial contributions and losses on certain financing operations, according to the terms and conditions of the programs or orders in council under which they were set up, by paying the Corporation interest contributions on certain financing operations for which it refunds losses, and by paying it fees.

2. SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of the Corporation's financial statements in accordance with Canadian generally accepted accounting principles requires Management to make estimates and assumptions, particularly in determining the initial fair value of financial assets and liabilities, as well as the fair value at the end of each year. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates and the impact would be recorded in the consolidated financial statements of future years.

CONSOLIDATION

The consolidated financial statements include the financial statements of Investissement Québec and those of its wholly owned subsidiaries: IQ Immigrants Investisseurs inc., IQ FIER inc., 9037-6179 Québec inc., 9071-2076 Québec inc., 9109-3294 Québec inc. and La Financière du Québec. All the assets, liabilities, revenues and expenses of these subsidiaries have been included in these consolidated financial statements. Intercompany balances and transactions have been eliminated.

IQ FIER inc., a wholly owned subsidiary, qualifies as an investment company within the meaning of Canadian Institute of Chartered Accountants Accounting Guideline No. 18, *Investment Companies* (AcG-18). Under this guideline, investments are accounted for at their fair value; that is, the value of the consideration that would be agreed upon, at the date of the financial statements, in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The realizable value of the

investments could vary significantly in relation to the fair value subsequent to changes in market conditions. AcG-18 further sets out the circumstances under which a parent company owning an investment company must account for the investment company's investments at fair value. Investissement Québec is the parent company of such investment company and complies with the criteria for preserving the fair value accounting treatment for investments adopted by IQ FIER inc.

NEW FINANCIAL INSTRUMENT ACCOUNTING STANDARDS ADOPTED ON APRIL 1, 2007

On April 1, 2007, the Corporation adopted the new financial instrument accounting standards published by the Canadian Institute of Chartered Accountants, including section 3855, "Financial Instruments – Recognition and Measurement"; section 1530, "Comprehensive Income"; section 3865, "Hedges"; and section 3861, "Financial Instruments: Disclosure and Presentation." Comparative figures for the years ended March 31, 2007 and 2006 were not restated, in accordance with the transitional provisions.

The principal accounting standards outlined below apply to the years ended March 31, 2008, 2007 and 2006. When a different accounting treatment applies to the years ended March 31, 2007 and 2006, the accounting standard applicable to those years is noted accordingly.

Financial Instruments – Recognition and Measurement

All financial instruments, except certain exclusions as under section 3855, must be classified in accordance with their characteristics, Management's intention or the choice of category under certain circumstances. As at April 1, 2007 and subsequently, all financial assets, on initial recognition, are classified either as held for trading, held to maturity or available for sale, or as loans and debts, whereas financial liabilities are classified as held for trading or as other financial liabilities. This new standard allows entities to irrevocably designate any financial asset or liability, on initial recognition, as an instrument held for trading.

During their initial recognition, all financial assets and liabilities, including financial derivatives, are estimated at their fair value. Any difference between the fair value and cash flow counterpart is immediately recorded in income, unless it meets the accounting criteria of another type of asset or liability.

During subsequent years, financial assets and liabilities held for trading purposes, including financial derivatives, are estimated at their fair value; gains and losses are recorded in income. Available-for-sale financial assets are estimated at their fair value; resulting unrealized gains and losses are recorded in other items of comprehensive income. Financial assets held to maturity, loans, debts, and other financial liabilities are estimated at cost after amortization under the effective interest method.

Built-in derivatives in other financial instruments or contracts, other than those assigned or held for trading purposes, are distinct from their host contracts and recorded as derivatives when the economic characteristics and risks they present are not closely related to those displayed in the host contract. The Corporation chose April 1, 2003 as the transition date for built-in derivatives; consequently, only contracts or financial instruments concluded or modified after the transition date were reviewed in making an inventory of built-in derivatives. The Corporation discloses contracts including a built-in derivative which had to be removed from the Assets related to derivative financial instruments item under the Other assets heading in the Consolidated Balance Sheet.

The fair value of a financial instrument usually corresponds to the consideration for which the instrument would be traded in a transaction between unrelated, willing parties under arm's-length conditions in the normal course of business; the best indication of fair value is the market price.

When available, the Corporation uses the market price (buyer/seller price) to estimate the fair value of financial instruments. When markets are non-existent or not considered sufficiently liquid, the Corporation estimates fair market value using methods that draw insofar as possible on market data observations. These estimation methods include the analysis of discounted cash flows, estimation models and other estimation methods commonly used on the market.

When fair value is determined on the basis of estimation models, the Corporation makes assumptions with regard to the amount, the time of liquidation of estimated future cash flows and the estimated discount rates used. These assumptions are based mainly on observable factors on external markets such as performance curves, volatility factors and credit risk. For loans and debts, estimation models are based on certain non-observable market assumptions such as the manner in which variable future refunds are established. Replacing this assumption with another could result in a different fair value.

Comprehensive income
Following the adoption of these standards, a new financial statement, Comprehensive Income, was added, and a new heading, Accumulated other comprehensive income, was included in Equity in the Consolidated Balance Sheet. This new heading includes unrealized gains and losses on available-for-sale financial assets.

Hedges
This new standard sets out the criteria for applying hedge accounting for each permitted hedging strategy. The Corporation does not use hedge accounting.

The impact of the adoption of these new standards appears in note 3.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, temporary investments maturing no later than three months after the purchase date and the bank overdraft. Cash and cash equivalents are held for trading purposes and are recorded at their fair value, which is considered to be equal to their carrying value because of their short-term maturity. Gains and losses are recorded under Interest on cash and temporary investments in the Consolidated Statement of Income.

INVESTMENTS

Notes receivable from the Government of Quebec
Notes receivable from the Government of Québec are classified in the category of loans and debts. At the time of their initial recognition, notes receivable from the Government of Québec are accounted for at their fair value (notes receivable from the Government of Québec were recorded at cost for the year ended March 31, 2007). Subsequently, notes receivable from the Government of Québec are recorded in the balance sheet at cost after amortization and purchase discounts are charged to income in accordance with the effective interest method until maturity and are recorded under Interest on notes receivable from the Government of Québec in the Consolidated Statement of Income.

Units of limited partnerships and unlisted shares of companies acting as general partners
Units of limited partnerships and unlisted shares of companies acting as general partners are investments held by a subsidiary qualified as an investment corporation, within the meaning of AcG-18, and as a result, are recorded at fair value. This value is based on the audited financial statements of these entities as at December 31 and adjusted following the major transactions performed by the entities in the intervening period, which, as investment companies, are measured at fair value. However, under certain contractual agreements, if aggregate net annual income less aggregate net annual losses is positive at the end of the yield waiver period of each agreement, the Corporation waives its share. Accordingly, the fair value of investments takes this clause into account.

Entity subject to significant influence
The Corporation records its investment at equity since its participation includes voting rights that enable it to exert considerable influence on financial and administrative decisions.

Other investments
Bonds and other debt securities, money market securities as well as shares and other equity securities are classified as available-for-sale financial assets. The Corporation chose to record transactions involving these assets as at the transaction date and to add the related transaction fees to the carrying value of the investments.

These available-for-sale investments are recorded at their fair value (the investments were recorded at their acquisition cost for the year ended March 31, 2007). Unrealized gains and losses related to these investments are recorded under Other items of comprehensive income. At the time of disposal, the gains or losses realized, established on the basis of average cost, are reclassified under Gain (loss) on available-for-sale financial assets under Other income in the Consolidated Statement of Income, on the transaction date.

Amortization of premiums and discounts calculated under the effective interest method as well as revenues from dividends and interest are accounted for in Income on other investments under Other income in the Consolidated Statement of Income.

If there is an objective indication of depreciation of available-for-sale financial assets resulting in a permanent decrease in the fair value below its cost or its cost after amortization, the accumulated loss under Accumulated other comprehensive income is reclassified under Gain (loss) on available-for-sale financial assets under Other income in the Consolidated Statement of Income. These losses in value may not be subject to a drawdown.

LOANS

Loans are classified in the category of loans and debts. Loans are initially recorded at their fair value (loans were recorded at cost for the year ended March 31, 2007). Loans are subsequently recorded in the Consolidated Balance Sheet at cost after amortization, calculated under the effective interest method. Corresponding interest income is accounted for under Interest on financing operations in the Consolidated Statement of Income. Any difference between the fair value and cash flow counterpart is immediately recorded under Benefits conferred to clients under Financial contributions.

When the credit rating has deteriorated to the extent that there is no reasonable assurance that a loan (principal and interest) will be collected in full, the loan is considered impaired. The reduction in carrying value then recognized and any subsequent changes are charged to the provision for losses. The increase in carrying value, due to the passage of time, is accounted for under Interest on financing operations in the Consolidated Statement of Income and the corresponding cash flow counterpart is recorded under Provision for losses in the Consolidated Statement of Income.

Foreclosed assets are recorded as impaired loans and are recorded at fair value at the time of foreclosure. The reduction in carrying value is then recorded. Any subsequent reduction is charged to the provision for losses.

The carrying value of loans, restructured as low-interest loans and interest-free loans, is recorded at the present value of net cash flows receivable under the new provisions, at the effective interest rate inherent in the loan. The reduction in carrying value resulting from restructuring is charged to the provision for losses. The increase in carrying value, due to the passage of time, is recorded as interest income.

Loan fees to offset the costs disbursed by the Corporation are posted to income under Commitment fees.

Accumulated provision for losses

The accumulated provision for losses on loans is shown on the Corporation's balance sheet, offset against the value of such loans. In the Corporation's opinion, this provision represents the most accurate possible estimate of the foreseeable amounts for losses on loans that are part of its portfolio.

Client companies are classified under seven risk categories, determined using solvency and credit criteria. This classification is updated regularly. One of these categories is insolvent clients, while two others refer to companies that are likely to become insolvent in the short term. All impaired loans are classified in one of these three categories. The provision for losses on financing operations included in these three categories corresponds to the balance of each operation, less the estimated realizable value of the security, to which a percentage adjustment is applied on the basis of loan collection experience for the companies in these categories. When a company assigned to one of these categories is winding up, has ceased repaying the Corporation and a turnaround is unlikely, related financing operations are written off.

The other four risk categories include companies whose financial profiles match that of the Corporation's target clientele. A group provision is calculated for each of these categories by applying a provision rate to the balance of the financing operations. The provision rate for each category is based on a statistical analysis of the number of companies that have been downgraded and the size of the losses recognized or deemed probable over the past years.

Companies for which the Corporation's financing operations show an exceptionally high cumulative balance or have special characteristics are subject to a specific analysis of the provision for losses, regardless of their risk category.

Certain loans may be forgiven according to the conditions set out in the loan agreement. The provision for losses on these loans takes into account the risks inherent in the loan agreement and the insolvency risks.

SHARES AND UNITS

Non-participating shares and preferred units with repayment terms

Non-participating shares and preferred units with repayment terms are classified in the held-to-maturity assets category. During their initial recognition, non-participating shares and preferred units with repayment terms are recorded at their fair value (non-participating shares and preferred units with repayment terms were recorded at cost for the year ended March 31, 2007). Subsequently, such shares and units are recorded in the Consolidated Balance Sheet at cost after amortization, calculated under the effective interest method. The corresponding interest income is recorded under Interest on financing operations in the Consolidated Statement of Income. Any difference between the fair value and cash flow counterpart is immediately recorded in Benefits conferred to clients under Financial contributions.

When the credit rating has deteriorated to the extent that there is no reasonable assurance that non-participating shares and preferred units with repayment terms will be collected in full, such shares and units are considered impaired financing operations. The reduction in carrying value then recognized and any subsequent changes are charged to the provision for losses. The increase in carrying value, due to the passage of time, is recorded under Interest on financing operations in the Consolidated Statement of Income and the corresponding cash flow counterpart is recorded under Provision for losses in the Consolidated Statement of Income.

The carrying value of loans, restructured as non-participating shares and preferred units with repayment terms, is recorded at the present value of net cash flows receivable under the new provisions, at the effective interest rate inherent in the loan. The reduction in carrying value resulting from restructuring is charged to the provision for losses. The increase in the carrying value, due to the passage of time, is recorded as interest income.

The accumulated provision for losses on non-participating shares and preferred units with repayment terms is accounted for on the Corporation's balance sheet, offset against the value of such assets. In the Corporation's opinion, this provision represents the most accurate possible estimate of the foreseeable amounts for losses on shares and prefered units with repayment terms that are part of its portfolio. The provision for losses on such shares and units is established according to the same methods as the accumulated provision for losses on loans.

Fees to offset the costs disbursed by the Corporation for non-participating shares and preferred units with repayment terms are posted to income under Commitment fees.

Non-participating shares and preferred units without repayment terms
Non-participating shares and preferred units without repayment terms are classified under the available-for-sale assets category. During their initial recognition, non-participating shares and preferred units without repayment terms are recorded at their fair value (non-participating shares and preferred units without repayment terms were recorded at cost for the year ended March 31, 2007). Subsequently, non-participating shares and preferred units without repayment terms are recorded at cost since no quoted price exists for them on an active market.

If there is a clear indication of depreciation of the non-participating shares and units without repayment terms resulting in a permanent decrease in their value below their cost, it is recorded in the Corporation's balance sheet as a reduced carrying value of the non-participating shares and units without repayment terms under Provision for losses in the Consolidated Statement of Income. These value losses may not be subject to a drawdown.

The carrying value of loans, restructured as non-participating shares and preferred units without repayment terms, is recorded at their fair value under the new provisions indicated in the contract. The reduction in carrying value resulting from restructuring is charged to the provision for losses.

Publicly traded participating shares
The Corporation chose to classify publicly traded participating shares in the held-for-trading assets category. At the time of their initial recognition and during subsequent periods, publicly traded participating shares acquired following the exercise of an option are recorded at their fair value, established according to buying price, and transaction fees are recorded directly in income (publicly traded participating shares were recorded at cost for the year ended March 31, 2007). The realized and unrealized gains and losses on these shares as well as the dividend income are recorded in income under Gain (loss) resulting from change in fair value of publicly traded participating shares and in Dividends under Other income.

Publicly traded participating shares from restructured loans are recorded at their fair value. The difference between the carrying value of the loan prior to restructuring and that of the shares is charged to the provision for losses.

Private corporation participating shares
Private corporation participating shares are classified in the available-for-sale assets category. At the time of their initial recognition and during subsequent periods, private corporation participating shares acquired following the exercise of an option are recorded at their fair value (private corporation participating shares were recorded at cost for the year ended March 31, 2007). Their fair value is based on the carrying value of the company concerned. Subsequently, private corporation participating shares are accounted for at cost since no quoted price exists for them on an active market. The gains realized on these shares are recorded in income under Risk premiums–Stock options. The dividend income is recorded in Dividends under Other income.

If there is an objective indication of depreciation of private corporation participating shares resulting in a permanent decrease in their value below their cost, it is recorded in the Corporation's balance sheet as a reduced value of the private corporation participating shares under Provision for losses in the Consolidated Statement of Income. In Management's opinion, this provision represents the most accurate estimate of the foreseeable amounts for losses on private corporation participating shares that are part of its portfolio. These value losses may not be subject to a drawdown.

Private corporation participating shares from restructured loans are recorded initially at their fair value and subsequently at cost. The fair value is based on the carrying value of the company concerned. The difference between the carrying value of the loan prior to restructuring and that of the shares is charged to the provision for losses. Any subsequent decrease in the carrying value of the shares is also charged to the provision for losses. Any subsequent increase is recorded only when the shares are sold, as gains on disposal of shares during the current year.

GUARANTEES

Guarantees are classified in the other financial liabilities category. At the time of their initial recognition, guarantee contracts are recorded at their fair value. The Corporation records its unconditional commitment to be prepared to fulfill its obligation in accordance with the contract conditions under Guarantee liability on the balance sheet, that is, the present value of receivable guarantee fees at market rates (no liability was recorded during the initial recognition of guarantees for the year ended March 31, 2007). The Corporation also records a debt as a receivable guarantee fee related to the guarantee contract under Receivable guarantee fees in the balance sheet. Subsequently, the initial guarantee liability and the debt are recorded in the Consolidated Balance Sheet at cost after amortization, calculated under the effective interest method. Any difference between the fair value of the initial guarantee liability and the debt is immediately charged to income in Benefits conferred to clients under Financial contributions.

The initial guarantee liability is charged to income for the duration of the guarantee contract under Guarantee fees and the increase in carrying value, due to the passage of time, is recorded as an interest expense. Interest income arising from receivable guarantee fees is recorded under Interest on financing operations in the Consolidated Statement of Income.

Since the carrying value of guarantees is not an indicator of the maximum amount of the obligation that the Corporation may potentially be required to pay a third party, the Corporation continues to consider guarantees as off-balance sheet financial instruments.

A provision for losses is recognized in addition to the initial guarantee liability, if necessary. This provision is established according to the same methods as the accumulated provision for losses on loans. If the provision for losses becomes greater than the unamortized balance of the initial guarantee liability, the guarantee liability must be adjusted according to the potential obligation to honour the guarantee commitment. In Management's opinion, the guarantee liability represents the most accurate estimate of the foreseeable amounts for losses on guarantee contracts that are part of its portfolio.

When the credit rating has deteriorated to the extent that there is no reasonable assurance that guarantee fees receivable will be collected in full, the loan is considered impaired. The reduction in carrying value is then recognized and any subsequent changes are charged to the provision for losses. The increase in carrying value, due to the passage of time, is recorded under Interest on financing operations in the Consolidated Statement of Income and the corresponding cash flow counterpart under Provision for losses in the Consolidated Statement of Income.

Guarantee claims are recorded once approved by the Corporation. Disbursements are then applied to reduce liability and the balance of guarantees is reduced accordingly. When the Corporation considers that it is reasonably certain that a loan will be repaid, these disbursements are recorded as assets in accordance with accounting policies applicable to loans, shares or units, as the case may be.

Fees to offset the guarantee contract arrangement costs incurred by the Corporation are recorded in income under Commitment fees.

CONTRIBUTIONS RECOVERABLE FROM THE GOVERNMENT OF QUÉBEC—BENEFITS CONFERRED TO CLIENTS AND OTHER AMOUNTS

The Government of Québec contributes to the Corporation's funding by reimbursing certain financial contributions and losses on certain financing operations, by paying interest contributions on certain financing operations and by paying fees to the Corporation.

Contributions recoverable from the Government of Québec in the form of benefits conferred to clients consist of recoverable amounts estimated by the Corporation. These amounts, which are considered non-contractual financial assets, reflect the difference between the fair value and cash flow counterpart for loans, shares and units, and any difference between the fair value of debts and the guarantee liability. The government's contribution, where applicable, is immediately recorded in income under Financial contributions assumed by the Government of Québec. This contribution results in the creation of the asset Contributions recoverable from the Government of Québec—Benefits conferred to clients (the asset receivable from the Government of Québec was recorded when the claim was made to the Government of Québec for losses on loans, shares, units and guarantees for the year ended March 31, 2007). Subsequently, this asset is recorded in the Consolidated Balance Sheet at cost after amortization, calculated using the effective interest method. The corresponding income is recorded in revaluation of contributions as benefits conferred to clients under Financial contributions assumed by the Government of Québec in the Consolidated Statement of Income.

FIXED ASSETS

Fixed assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives from the date they are put into service using the following rates:

Computer equipment	33⅓%
Office furniture	10%
Leasehold improvements	10%

FINITE LIFE INTANGIBLE ASSETS

Software and information systems development are recorded at cost and amortized on a straight-line basis over their estimated useful lives from the date they are put into service using the following rates:

Software	33⅓%
Information systems development	20%

LONG-TERM ASSET IMPAIRMENTS

Long-term assets are regularly examined by Management to determine whether their value incurred a loss when events or changes in situation suggest that their carrying value might not be recoverable. Impairment is assessed by comparing the carrying value of an asset with undiscounted future cash flows estimated at use and with its residual value. If the value of the assets is considered impaired, the impairment is allocated to the results for the period during which it is determined. The impairment represents the difference between the carrying value and the fair value of the asset. Assessment of future cash flows requires professional judgment and may vary over time.

LAND HELD FOR DECONTAMINATION PURPOSES

The Corporation shares responsibility for the decontamination and clean-up of land and sees to the leasing thereof. Land is valued at the lower of cost or net realizable value.

BORROWINGS

Borrowings are classified in the other financial liabilities category. At the time of their initial recognition, borrowings are recorded at their fair value, excluding loan advances from the Government of Québec which are recorded at cost (borrowings were recorded at cost for the year ended March 31, 2007). Subsequently, loans are recorded in the Consolidated Balance Sheet at cost after amortization, calculated under the effective interest method. The corresponding interest fees are accounted for under Interest Expense in the Consolidated Statement of Income. Any difference between the fair value of the notes payable to immigrant investors and the cash flow counterpart is recorded in the Balance Sheet under Deferred benefits conferred by immigrant investors. This amount is then gradually recorded in income and considered revenue under the heading Benefits conferred by immigrant investors as the Corporation incurs expenses with those sums, under its contractual commitments to do so.

Issuance expenses, discounts and premiums are recorded in the carrying value of long-term borrowings and amortized under the effective interest method (on a straight-line basis for the year ended March 31, 2007). The amortization of issuance expenses, discounts and premiums is reported in Amortization of issuance expenses on long-term borrowings and Amortization of premiums (discounts) on long-term borrowings under Interest Expense in the Consolidated Statement of Income.

INTEREST CONTRIBUTIONS FROM THE GOVERNMENT OF QUÉBEC (FOR THE YEARS ENDED MARCH 31, 2007 AND 2006)

Interest contributions from the Government of Québec are related to low-yield or zero-yield financing operations or to financing operations whose losses are reimbursed by the Government of Québec, and generally represent the excess of the Corporation's average monthly borrowing cost over the yield of these operations.

RISK PREMIUMS

When approving a financing operation, the Corporation may require a risk premium from the client company which varies according to the nature of the risk. Stock option premiums are derivative financial instruments and, as such, are recorded at fair value. The resulting realized and unrealized gains are recorded in income under Risk premiums—Stock options. Share-in-income and other premiums are recorded when they fall due under the contract.

Stock options with a positive fair value are recorded under Other assets.

Gains on disposal of shares acquired following the exercise of an option are recorded in income under Risk premiums—Stock options.

FINANCIAL CONTRIBUTIONS

Financial contributions consist of contributions as benefits conferred to clients, non-repayable financial contributions and conditional repayable financial contributions.

Contributions as benefits conferred to clients are charged to income in the year in which the Corporation noted a difference between the fair value of loans as well as shares and units with repayment terms and the cash flow counterpart, and a difference between the fair value of the guarantee liability and the receivable guarantee fees.

Financial contributions to companies are charged to income in the year in which the Corporation approved the disbursement, in accordance with the requirements. Financial contributions to Emploi-Québec are recognized in income in the year in which the corresponding expenditure was incurred by Emploi-Québec. Financial contributions to the Ministère de l'Immigration et des Communautés culturelles are charged to income in the year in which its share of the income generated by the investment is recognized. The contribution from the Government of Québec for the financial contributions it assumes is then deemed to have been earned by the Corporation and is recognized in the same year.

Subsequent recoveries of conditional repayable financial contributions are recognized in income for the current year. The applicable amount repayable to the Government of Québec is also recorded in income for the current year.

FEES TO FINANCIAL INTERMEDIARIES

Through one of its subsidiaries, the Corporation pays fees to financial intermediaries for canvassing immigrant investors, targeting companies for referral for non-repayable financial contributions and closing immigrant investor files.

Fees paid for canvassing immigrant investors and for targeting companies for referral are recorded in income once the financing operation has been accepted by the company (fees paid for canvassing immigrant investors are deferred on a straight-line basis and charged to income over a period representing the term of the investments, that is, five years, for the year ended March 31, 2007). Fees for closing immigrant investor files are recorded as files are closed, when the services are rendered by the financial intermediary.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are classified in the category of financial assets and liabilities held for trading. In addition to stock options that are included in risk premiums, the Corporation holds other derivative financial instruments to manage the interest rate risk and exchange rate risk stemming from the balance sheet items and off-balance sheet items. These other financial instruments are recorded at fair value and the resulting gains or losses are recorded in Net loss on derivative financial instruments under Other income. Derivative financial instruments with a positive fair value are recorded in Assets related to derivative financial instruments under Other assets, while those with a negative fair value are recorded in Liabilities related to derivative financial instruments under Other liabilities.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities and guarantees denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at balance sheet date. Income and expenses denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the transaction date. Exchange gains and losses are recognized in income, under the corresponding exchange gain or loss items.

PENSION PLANS

The Corporation contributes to government multi-employer defined benefit pension plans. However, these contributions are recorded in accordance with accounting standards for defined contribution plans, as the information available to the Corporation is insufficient for the application of defined benefit plan accounting.

The Corporation has also implemented an optional supplementary pension plan to pay retirement benefits to certain senior managers, over and above the benefits paid under the basic pension plan. The cost of the retirement benefits accumulated by these employees is determined by actuarial calculations using the defined benefit method prorated on years of service, based on Management's best estimates of expected plan investment performance, salary escalation and retirement age of employees.

3. NEW ACCOUNTING STANDARDS

IMPACT OF THE ADOPTION OF THE NEW ACCOUNTING STANDARDS

As required by the Canadian Institute of Chartered Accountants, the adoption of the new accounting standards for financial instruments, that is, section 3855, "Financial Instruments – Recognition and Measurement," and section 1530, "Comprehensive Income," resulted, as previously mentioned, in adjustments in the opening balance sheet of retained earnings and accumulated other comprehensive income as at April 1, 2007. The figures for the year ended March 31, 2007 were not restated, in accordance with the transitional provisions.

Impact of the new standards on the opening balance sheet:

	As at March 31, 2007	Adjustments in accordance with the adoption of the new standards	As at April 1, 2007
ASSETS			
Cash	9,440	–	9,440
Temporary investments	17,492	–	17,492
Investments	2,655,603	8,743	2,664,346
Loans	770,827	(185,488)	585,339
Shares	307,263	(251,323)	55,940
Units	2,074	(243)	1,831
Receivable guarantee fees	–	128,898	128,898
Contributions recoverable from the Government of Québec–Benefits conferred to clients and other amounts	–	701,633	701,633
Accumulated provision for losses recoverable from the Government of Québec	637,625	(299,437)	338,188
Other assets	110,828	(81,341)	29,487
	4,511,152	21,442	4,532,594
LIABILITIES AND EQUITY			
Liabilities			
Short-term borrowings	58,000	–	58,000
Long-term borrowings	3,722,126	(269,643)	3,452,483
Interest due and accrued	18,904	–	18,904
Guarantee liability	172,924	86,980	259,904
Deferred benefits conferred by immigrant investors	–	198,573	198,573
Other liabilities	29,813	–	29,813
	4,001,767	15,910	4,017,677
Equity			
Initial equity	32,944	–	32,944
Retained earnings	476,441	(2,367)	474,074
Accumulated other comprehensive income	–	7,899	7,899
	509,385	5,532	514,917
	4,511,152	21,442	4,532,594

FUTURE CHANGES TO ACCOUNTING POLICIES DUE TO ACCOUNTING STANDARDS TO BE ADOPTED BY THE CORPORATION

In 2006, the Canadian Institute of Chartered Accountants issued three new accounting standards: section 1535, "Capital Disclosures," section 3862, "Financial Instruments – Disclosures," and section 3863, "Financial Instruments – Presentation." These standards must be adopted by Investissement Québec no later than April 1, 2008.

Section 1535 specifies the information to be disclosed about an entity's objectives, policies and processes for managing its capital, quantitative data on items that the entity considers as capital, the entity's compliance with requirements related to capital and the consequences of non-compliance with these requirements.

Together, sections 3862 and 3863 comprise a complete set of disclosure and presentation requirements for financial instruments; they revise and enhance the disclosure requirements in section 3861, "Financial Instruments – Disclosure and Presentation," and reiterate the presentation requirements it contains.

Section 3862 describes the information to be disclosed to enable financial statement users to evaluate the significance of financial instruments in relation to the entity's financial position and performance and to assess the nature and scope of the risks stemming from the financial instruments to which the entity is exposed and the way the entity manages these risks.

In February 2008, the CICA published section 3064, "Goodwill and Intangible Assets." This new accounting standard reinforces the approach according to which assets are recorded only if they meet the definition of an asset and asset recognition criteria. It also clarifies the application of the concept of matching revenues and expenses so as to eliminate the practice of recognizing as assets items that do not meet the definition of an asset and asset recognition criteria. This standard must be applied by Investissement Québec no later than April 1, 2009.

Sections 1535, 3862 and 3863 cover the information to be disclosed. They will therefore not have any impact on the Corporation's results. With regard to section 3064, the Corporation's Management is unable to assess what the impact of this standard will be on its financial statements.

4. TEMPORARY INVESTMENTS

	2008	2007
Temporary investments whose maturity date is no later than three months after the purchase date:		
Bankers' acceptances, from 3.51% to 3.67%, maturing between April and May 2008	8,260	10,874
Deposit certificate, 2.47%, maturing in May 2008	5,801	6,618
Commercial papers, from 3.47% to 3.60%, maturing in April 2008	19,756	-
Discount note, 2.37%, maturing in May 2008	2,241	-
Government of Canada Treasury bills, from 1.85% to 3.24%, maturing between May and June 2008	37,264	-
Temporary investments whose maturity date is later than three months after the purchase date:		
Bankers' acceptances, from 3.20% to 3.24%, maturing between September and November 2008	7,457	-
Government of Canada Treasury bills, from 3.21% to 3.24%, maturing in May 2008	16,708	-
	97,487	17,492

5. INVESTMENTS

	2008	2007
Notes receivable from the Government of Québec, from 3.47% to 4.94%, maturing between April 2008 and March 2013, nominal value of $3.0 billion	2,721,834	2,403,967
Bonds and other debt securities, from 3.60% to 11.40%, maturing between March 2009 and June 2022, nominal value of $91.8 million	97,708	104,652
Shares and other equity securities	57,242	27,704
Money market securities – Mutual funds	15	35,927
Units of limited partnerships [1]	133,687	83,325
Unlisted shares of entities acting as limited partners	5	4
Entity subject to significant influence – Canadair Québec Capital S.E.N.C., at equity	25	24
	3,010,516	2,655,603

The amount of investments denominated in US dollars stood at CDN$23.2 million as at March 31, 2008 ($7.3 million as at March 31, 2007) and the amount of investments denominated in other currencies stood at CDN$8.2 million as at March 31, 2008 (no investments denominated in other currencies as at March 31, 2007).

THE INVESTMENTS MATURE AS FOLLOWS:

Less than one year	545,165
From 1 to 2 years	682,044
From 2 to 3 years	529,570
From 3 to 4 years	479,681
From 4 to 5 years	578,979
From 5 to 10 years	137,154
From 10 to 20 years	636
	2,953,229
No maturity	57,287
	3,010,516

(1) At all times during the yield waiver period, certain other partners have a stock option on certain units held by the Corporation, at initial cost plus 6% return per year from their acquisition date. As of the 3rd fiscal year following the yield waiver period, these other partners also have a stock option at a cost equal to the fair value or carrying value, whichever is higher.

UNREALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS AS AT MARCH 31, 2008 ARE AS FOLLOWS:

	Cost	Net gain on unrealized losses	Fair value
Bonds and other debt securities	95,973	1,735	97,708
Money market securities – Mutual funds	15	–	15
Shares and other equity securities	54,449	2,793	57,242
	150,437	4,528	154,965

Available-for-sale financial assets are assessed periodically to establish whether there is an objective indication of depreciation other than temporary. Unrealized losses on these assets are mainly attributable to market price or exchange rate fluctuations. The Corporation has the capacity and intention to hold these assets for a sufficient period in order to recover their fair value. At March 31, 2008, the Corporation deemed that the unrealized losses are temporary.

6. LOANS, LESS ACCUMULATED PROVISION FOR LOSSES

	Losses not repaid by the Government of Québec	Losses repaid by the Government of Québec	2008 Total	2007 Total
LOANS				
Interest-bearing [1] [2]				
Fixed rate [3] [4]	1,502	159,797	161,299	174,142
Variable rate [5]	40,947	86,021	126,968	244,887
	42,449	245,818	288,267	419,029
Interest-free [6] [7] [8]	127	337,593	337,720	584,400
Impaired	21,730	332,523	354,253	243,006
	64,306	915,934	980,240	1,246,435
ACCUMULATED PROVISION FOR LOSSES				
Interest-bearing loans	(4,727)	(67,904)	(72,631)	(105,489)
Interest-free loans	(9)	(86,173)	(86,182)	(163,305)
Impaired loans	(15,686)	(245,180)	(260,866)	(206,814)
	(20,422)	(399,257)	(419,679)	(475,608)
	43,884	516,677	560,561	770,827
ANTICIPATED CASH RECEIPTS FROM LOANS, ACCORDING TO CONTRACTUAL PROVISIONS, ARE AS FOLLOWS:				
Less than one year	17,184	89,459	106 643	136,038
From 1 to 2 years	12,990	83,006	95,996	85,044
From 2 to 3 years	10,063	118,905	128,968	84,835
From 3 to 4 years	11,846	108,995	120,841	190,589
From 4 to 5 years	6,248	89,915	96,163	66,490
From 5 to 10 years	8,264	478,071	486,335	549,103
From 10 to 20 years	47	236,398	236,445	23,890
More than 20 years	–	76,900	76,900	110,446
	66,642	1,281,649	1,348,291	1,246,435

(1) Effective fixed interest rates ranged from 4.21% to 17.19% as at March 31, 2008.

(2) Effective variable interest rates represent the rate for Canada Treasury bills which is 1.85% plus a premium to account for the risk ranging from 1.90% to 12.25% as at March 31, 2008.

(3) Contractual fixed interest rates ranged from 2.75% to 15.00% as at March 31, 2008 (from 2.75% to 15.00% as at March 31, 2007).

(4) Including $66.4 million in contributions repayable from royalties as at March 31, 2008 ($33.3 million as at March 31, 2007).

(5) The Corporation's variable interest rate was 6.75% plus a premium to account for the risk ranging from –6.00% to 7.00% as at March 31, 2008 (variable interest rate of 7.50% and premium ranging from –6.50% to 7.75% as at March 31, 2007).

(6) Effective interest rates ranged from 3.52% to 19.18% as at March 31, 2008.

(7) These loans are interest-free for client companies. However, for loans whose losses are repaid by the Government of Québec, the government pays the Corporation interest contributions, calculated according to the balance of such loans at an interest rate that generally represents the Corporation's average monthly borrowing cost.

(8) Including $92.2 million in contributions repayable from royalties as at March 31, 2008 ($66.8 million as at March 31, 2007).

7. SHARES

	Losses not repaid by the Government of Québec	Losses repaid by the Government of Québec	2008 Total
SHARES			
Non-participating shares with repayment terms	270	46,710	46,980
Non-participating shares without repayment terms	122	–	122
Publicly traded participating shares, at fair value	926	2,091	3,017
Private corporation participating shares	112	8,357	8,469
	1,430	57,158	58,588
ACCUMULATED PROVISION FOR LOSSES			
Non-participating shares with repayment terms	(200)	(2,791)	(2,991)
Non-participating shares without repayment terms	(27)	–	(27)
Private corporation participating shares	–	–	–
	(227)	(2,791)	(3,018)
	1,203	54,367	55,570
REDEMPTION MATURITIES FOR NON-PARTICIPATING SHARES WITH REPAYMENT TERMS, ACCORDING TO CONTRACTUAL PROVISIONS, ARE AS FOLLOWS:			
Less than one year	94	64	158
From 1 to 2 years	68	52	120
From 2 to 3 years	68	52	120
From 3 to 4 years	68	52	120
From 4 to 5 years	53	52	105
From 5 to 10 years	–	45,000	45,000
More than 20 years	–	260,000	260,000
	351	305,272	305,623

7. SHARES (continued)

	Losses not repaid by the Government of Québec	Losses repaid by the Government of Québec	2007 Total
SHARES			
Participating shares	675	25,250	25,925
Non-participating shares	1,410	326,140	327,550
Special class of shares	–	4,455	4,455
Participating shares from restructured loans	975	–	975
Non-participating shares from restructured loans	466	–	466
	3,526	355,845	359,371
ACCUMULATED PROVISION FOR LOSSES			
Participating shares	(334)	(13,754)	(14,088)
Non-participating shares	(1,252)	(30,968)	(32,220)
Special class of shares	–	(4,455)	(4,455)
Participating shares from restructured loans	(907)	–	(907)
Non-participating shares from restructured loans	(438)	–	(438)
	(2,931)	(49,177)	(52,108)
	595	306,668	307,263
SHARE REDEMPTION MATURITIES, ACCORDING TO CONTRACTUAL PROVISIONS, ARE AS FOLLOWS:			
Less than one year	503	194	697
From 1 to 2 years	75	53	128
From 2 to 3 years	75	53	128
From 3 to 4 years	75	53	128
From 4 to 5 years	68	16,680	16,748
From 5 to 10 years	52	887	939
From 10 to 20 years	–	45,000	45,000
More than 20 years	–	260,000	260,000
	848	322,920	323,768
No maturity	2,678	32,925	35,603
	3,526	355,845	359,371

The Corporation holds shares issued by public companies. The net carrying value of these shares as at March 31, 2007 was $3.7 million. Based on quoted market prices as at March 31, 2007, these shares had a value of $3.4 million.

The Corporation has a put option on the participating shares that it holds in a company. The put may be exercised in part (76.8%) as of January 2006 and in whole as of January 2009. Based on the minimum redemption price specified in the contract, the gain resulting from the full exercise of this put would be $8.2 million. As at March 31, 2007, the Corporation had not availed itself of this partial option.

8. UNITS

	Losses not repaid by the Government of Québec	Losses repaid by the Government of Québec	2008 Total
UNITS			
Preferred units with repayment terms	385	1,251	1,636
Units without repayment terms	809	486	1,295
	1,194	1,737	2,931
ACCUMULATED PROVISION FOR LOSSES			
Preferred units with repayment terms	(300)	(238)	(538)
Units without repayment terms	(154)	(320)	(474)
	(454)	(558)	(1,012)
	740	1,179	1,919
REDEMPTION MATURITIES FOR UNITS WITH REPAYMENT TERMS, ACCORDING TO CONTRACTUAL PROVISIONS, ARE AS FOLLOWS:			
Less than one year	–	133	133
From 1 to 2 years	–	51	51
From 2 to 3 years	–	166	166
From 3 to 4 years	–	51	51
From 4 to 5 years	–	65	65
From 5 to 10 years	994	133	1,127
From 10 to 20 years	675	200	875
More than 20 years	–	483	483
	1,669	1,282	2,951

8. UNITS (continued)

			2007
	Losses not repaid by the Government of Québec	Losses repaid by the Government of Québec	Total
UNITS			
Preferred units of cooperatives	395	2,481	2,876
Units of a limited partnership	–	11,639	11,639
Preferred units of cooperatives from restructured loans	1,080	–	1,080
	1,475	14,120	15,595
ACCUMULATED PROVISION FOR LOSSES			
Preferred units of cooperatives	(308)	(732)	(1,040)
Units of a limited partnership	–	(11,639)	(11,639)
Preferred units of cooperatives from restructured loans	(842)	–	(842)
	(1,150)	(12,371)	(13,521)
	325	1,749	2,074
UNIT REDEMPTION MATURITIES, ACCORDING TO CONTRACTUAL PROVISIONS, ARE AS FOLLOWS:			
Less than one year	–	104	104
From 1 to 2 years	–	78	78
From 2 to 3 years	–	78	78
From 3 to 4 years	–	194	194
From 4 to 5 years	–	78	78
From 5 to 10 years	702	333	1,035
From 10 to 20 years	378	230	608
More than 20 years	–	495	495
	1,080	1,590	2,670
No maturity	395	12,530	12,925
	1,475	14,120	15,595

9. RECEIVABLE GUARANTEE FEES, LESS ACCUMULATED PROVISION FOR LOSSES

	Losses not repaid by the Government of Québec	Losses repaid by the Government of Québec	2008 Total	2007 Total
Receivable guarantee fees	15,870	110,507	126,377	-
Accumulated provision for losses	(3,292)	(7,853)	(11,145)	-
	12,578	102,654	115,232	-
ANTICIPATED CASH RECEIPTS FROM GUARANTEE FEES, ACCORDING TO CONTRACTUAL PROVISIONS, ARE AS FOLLOWS:				
Less than one year	5,005	14,505	19,510	-
From 1 to 2 years	3,955	13,697	17,652	-
From 2 to 3 years	3,030	12,981	16,011	-
From 3 to 4 years	2,215	12,309	14,524	-
From 4 to 5 years	1,585	11,708	13,293	-
From 5 to 10 years	2,100	51,806	53,906	-
From 10 to 20 years	8	37,965	37,973	-
	17,898	154,971	172,869	-

Receivable guarantee fees denominated in US dollars amounted to CDN$96.6 million and receivable guarantee fees denominated in other currencies amounted to CDN$0.5 million as at March 31, 2008.

10. GUARANTEES, LESS GUARANTEE LIABILITY

	Losses not repaid by the Government of Québec	Losses repaid by the Government of Québec	2008 Total	2007 Total
GUARANTEES				
Loan guarantees	240,239	295,903	536,142	502,723
Financial commitment guarantees	42,698	1,656,116	1,698,814	1,946,770
	282,937	1,952,019	2,234,956	2,449,493
GUARANTEE LIABILITY				
Unamortized balance of initial guarantee liability				
Loan guarantees	(22,547)	(20,722)	(43,269)	–
Financial commitment guarantees	(4,495)	(126,601)	(131,096)	–
	(27,042)	(147,323)	(174,365)	–
Accumulated provision for losses				
Loan guarantees	(27,585)	(33,489)	(61,074)	(80,698)
Financial commitment guarantees	(5,940)	(9,304)	(15,244)	(92,226)
	(33,525)	(42,793)	(76,318)	(172,924)
	(60,567)	(190,116)	(250,683)	(172,924)
	222,370	1,761,903	1,984,273	2,276,569
GUARANTEE BALANCES MATURE AS FOLLOWS:				
Less than one year	31,139	27,504	58,643	66,810
From 1 to 2 years	30,320	15,074	45,394	48,842
From 2 to 3 years	27,484	47,857	75,341	28,207
From 3 to 4 years	31,740	28,864	60,604	83,552
From 4 to 5 years	35,545	34,510	70,055	62,530
From 5 to 10 years	124,468	231,523	355,991	336,938
From 10 to 20 years	2,241	1,566,687	1,568,928	1,822,614
	282,937	1,952,019	2,234,956	2,449,493

Guarantees denominated in US dollars stood at CDN$1.7 billion as at March 31, 2008 ($1.9 billion as at March 31, 2007) and guarantees denominated in other currencies amounted to CDN$25.7 million as at March 31, 2008 ($25.5 million as at March 31, 2007).

11. ACCUMULATED PROVISION FOR LOSSES

	Losses not repaid by the Government of Québec	Losses repaid by the Government of Québec[1]	2008 Total	2007 Total
Balance, beginning of year	52,715	338,189	390,904	817,742
PROVISION FOR LOSSES [2]	13,596	171,107	184,703	(4,899)
Recoveries	475	2,134	2,609	3,006
Write-offs [3]	(8,199)	(47,517)	(55,716)	(91,931)
Guarantee disbursements that did not create an asset	(1,155)	(11,053)	(12,208)	(9,181)
Unamortized balance of initial guarantee liability, reclassified under accumulated provision for losses	706	750	1,456	-
Balance at end of year	58,138	453,610	511,748	714,737
THE ACCUMULATED PROVISION FOR LOSSES IS ALLOCATED AS FOLLOWS:				
Loans	20,422	399,257	419,679	475,608
Shares	227	2,791	3,018	52,108
Units	454	558	1,012	13,521
Receivable guarantee fees	3,292	7,853	11,145	-
Other receivables related to financing operations	218	358	576	576
Guarantees	33,525	42,793	76,318	172,924
	58,138	453,610	511,748	714,737

The Corporation may require that client companies provide securities and sureties. The nature of the securities generally concerns the universality of the client company's assets, including land, buildings, equipment, machinery and furniture. However, the provision for losses takes into account only the value of securities and sureties related to companies that are insolvent or that would likely become insolvent over the short term. The value of securities and sureties related to loans, shares and units stood at $13.5 million as at March 31, 2008 ($12.3 million as at March 31, 2007) and the value of guarantees at $24.2 million ($18.5 million as at March 31, 2007). The value of securities related to loans, shares and units in companies whose financial position meets the criteria of the Corporation's target clientele stood at $81.0 million as at March 31, 2008 ($130.1 million as at March 31, 2007).

(1) Represents the Accumulated provision for losses recoverable from the Government of Québec recorded in assets on the balance sheet.

(2) Including $0.4 million in foreign exchange losses as at March 31, 2008 ($0.9 million in foreign exchange gains as at March 31, 2007).

(3) Write-offs in respect of restructured loans and write-offs of shares from restructured loans amounted to $24.0 million for the year ended March 31, 2008 ($2.1 million as at March 31, 2007).

12. OTHER ASSETS

	2008	2007
Receivable from the Government of Québec	–	12,549
Stock options	603	4,593
Deferred fees to financial intermediaries	–	79,813
Interest and dividends receivable on investments	1,694	1,529
Deferred issuance expenses on long-term borrowings	–	3,756
Assets related to derivative financial instruments	2,661	1,221
Fixed assets, less accumulated amortization of $4.5 million ($4.1 million as at March 31, 2007)	2,698	2,387
Finite life intangible assets, less accumulated amortization of $7.0 million ($6.6 million as at March 31, 2007)	889	769
Administration fees receivable–Related parties	275	509
Receivables related to financing operations, less accumulated provision for losses [1]	776	2,877
Other receivables	1,436	825
	11,032	110,828

(1) Receivables related to financing operations, less accumulated provisions for losses.

	Losses not repaid by the Government of Québec	Losses repaid by the Government of Québec	2008 Total	2007 Total
Receivables related to financing operations	432	920	1,352	3,453
Accumulated provision for losses on receivables related to financing operations (note 11)	(218)	(358)	(576)	(576)
	214	562	776	2,877

13. SHORT-TERM BORROWINGS

	2008	2007
Bankers' acceptances – financial institutions, from 3.59% to 3.64%, maturing in April 2008	151,400	20,300
Notes – financial institutions, from 3.63% to 3.66%, maturing in April 2008	72,200	25,600
Notes – Government of Québec Financing Fund, 3.61%, maturing in April 2008	32,200	12,100
	255,800	58,000

Under Order in Council 877-2006 of October 3, 2006, the Corporation is authorized to contract short-term borrowings from financial institutions or the Government of Québec Financing Fund and long-term borrowings from the Fund up to a maximum current amount of $1.3 billion until October 31, 2010. In addition, the Minister of Economic Development, Innovation and Export Trade is authorized to pay the Corporation the amounts required to offset the non-fulfillment of obligations arising from borrowings with the Government of Québec Financing Fund. The terms of this Order in Council also apply to the notes payable to the Government of Québec Financing Fund referred to in note 14.

The Corporation has bank lines of credit totalling $10 million, bearing interest at the lender's prime rate (5.25% as at March 31, 2008; 6.00% as at March 31, 2007), renewable annually. As at March 31, 2008 and 2007, these bank lines of credit were undrawn.

14. LONG-TERM BORROWINGS

	2008	2007
Notes – Government of Québec Financing Fund:		
– at the bankers' acceptance rate (1 month) plus 0.28%, maturing in July 2009	174,817	175,000
– 4.33%, maturing in July 2010	28,150	28,200
– 8.00%, maturing in December 2010, nominal value of $75.6 million (effective rate of 6.07%)	78,481	79,739
– at the bankers' acceptance rate (3 months) plus 0.15%, maturing in October 2013	99,618	100,000
– at the bankers' acceptance rate (1 month) plus 0.08%, maturing in October 2013	59,772	60,000
– at the bankers' acceptance rate (1 month) plus 0.05%, maturing in October 2013 [1]	161,879	162,500
– at the bankers' acceptance rate (1 month) plus 0.12%, maturing in October 2013	133,595	134,120
– at the bankers' acceptance rate (1 month) plus 0.09%, maturing in October 2013 [1]	52,294	52,500
– at the bankers' acceptance rate (1 month) plus 0.10%, maturing between February 2012 and May 2014	99,574	100,000
– at the bankers' acceptance rate (1 month) plus 0.21%, maturing in June 2032	47,179	47,500
– at the bankers' acceptance rate (1 month) plus 0.19%, matured in October 2007	–	75,000
Interest-free advances from the Government of Québec, maturing between June 2020 and February 2023	178,667	97,167
Notes – Immigrant investors, interest-free, maturing between April 2008 and March 2013, nominal value of $3.0 billion (effective rates of 3.47% to 4.94%) [2]	2,664,346	2,610,400
	3,778,372	3,722,126

CONTRACTUAL REPAYMENTS OF PRINCIPAL ON LONG-TERM BORROWINGS ARE AS FOLLOWS:

Less than one year	533,200
From 1 to 2 years	871,617
From 2 to 3 years	617,431
From 3 to 4 years	598,323
From 4 to 5 years	714,272
From 5 to 10 years	512,137
From 10 to 20 years	168,667
More than 20 years	47,179
	4,062,826
No maturity	10,000
	4,072,826

(1) The Corporation has the option of renewing this borrowing for a maximum period of 20 years from the maturity of the initial borrowing.

(2) Payment of the principal is guaranteed by Québec.

15. OTHER LIABILITIES

	2008	2007
Financial contributions and guarantees payable	5,345	–
Non-repayable financial contributions payable to Emploi-Québec	912	2,765
Non-repayable financial contributions payable to the Ministère de l'Immigration et des Communautés culturelles	2,511	1,166
Deferred income [1]	352	3,487
Liabilities related to derivative financial instruments	7,352	3,536
Sick leave and vacation payable (note 30)	11,618	10,887
Other liabilities and other expenses payable [2]	15,503	7,972
	43,593	29,813

(1) Including a deferred contribution by the Ministère du Développement économique, de l'Innovation et de l'Exportation amounting to $50,000 as at March 31, 2008 ($50,000 as at March 31, 2007).

(2) Including $0.1 million due to related entities under common control as at March 31, 2008 ($0.3 million as at March 31, 2007).

16. INTEREST EXPENSE

	2008	2007	2006
Interest on long-term borrowings [1]	48,168	47,709	35,452
Interest related to benefits conferred by immigrant investors	106,321	–	–
Interest on short-term borrowings and bank charges [2]	6,351	4,558	3,674
Amortization of issuance expenses on long-term borrowings [1]	685	719	719
Amortization of premium on long-term borrowings [1]	(1,129)	(1,129)	(1,129)
Interest on guarantee liability	12,266	–	–
	172,662	51,857	38,716

(1) From transactions entered into with the Government of Québec Financing Fund.

(2) The interest expense in respect of short-term borrowings from the Government of Québec Financing Fund stood at $1.2 million for the year ended March 31, 2008 ($1.8 million for the year ended March 31, 2007; $0.9 million for the year ended March 31, 2006).

17. RISK PREMIUMS–STOCK OPTIONS

	2008	2007	2006
Gain on disposal of stock options	–	1,526	2,220
Gain on disposal of shares resulting from the exercise of stock options of private corporations (private corporations and public corporations for the years ended March 31, 2007 and 2006)	–	358	1,473
Gain (loss) resulting from changes in fair value of stock options (unrealized gain (loss) for the years ended March 31, 2007 and 2006)	852	836	(170)
	852	2,720	3,523

18. OTHER INCOME

	2008	2007	2006
Gain on disposal of shares of private corporations and on units (private and public corporations for the years ended March 31, 2007 and 2006)	755	66	136,437
Loss resulting from change in fair value on participating publicly traded shares	(698)	–	–
Dividends	–	5	21
Inducement fees	2,990	3,020	3,020
Certification fees	3,832	3,687	2,160
Income on other investments	8,268	6,255	6,128
Gain (loss) on available-for-sale financial assets	480	1,338	1,165
Change in unrealized capital loss on investments	(7,560)	(2,608)	(515)
Gain (loss) on unrealized foreign exchange	3,233	149	(284)
Net loss on derivative financial instruments	(11,355)	(2,439)	(6,346)
Other income from the Government of Québec	12,221	4,428	1,667
Other income	1,138	1,004	952
	13,304	14,905	144,405

19. FINANCIAL CONTRIBUTIONS

			2008	2007	2006
	Not assumed by the Government of Québec	Assumed by the Government of Québec [1]	Total	Total	Total
Benefits conferred to clients	2,528	86,951	89,479	–	–
Non-repayable financial contributions – Companies	46,781	39,145	85,926	64,084	62,609
Non-repayable financial contributions – Emploi-Québec	5,385	–	5,385	5,576	2,609
Non-repayable financial contributions – Ministère de l'Immigration et des Communautés culturelles	1,346	–	1,346	1,166	–
Conditional repayable financial contributions	–	(977)	(977)	(1,291)	(2,590)
	56,040	125,119	181,159	69,535	62,628
Revaluation of contributions as benefits conferred to clients	–	1,587	1,587	–	–
	56,040	126,706	182,746	69,535	62,628

(1) Represents the Financial contributions assumed by the Government of Québec recorded in the Consolidated Statement of Income.

20. ADMINISTRATIVE EXPENSES [1]

	2008	2007	2006
Salaries and employee benefits	35,711	34,091	30,282
Rent	2,881	2,780	2,757
Travel, entertainment, advertising and promotion	4,039	4,187	4,001
Professional and other fees	1,790	1,378	989
Amortization of fixed assets and finite life intangible assets	1,027	864	800
Other	4,548	4,339	4,521
	49,996	47,639	43,350

(1) Including $4.2 million for related entities under common control for the year ended March 31, 2008 ($3.7 million for the year ended March 31, 2007; $3.9 million for the year ended March 31, 2006).

21. OTHER EXPENSES

	2008	2007	2006
Counter-guarantee fees	2,990	3,020	3,020
Share of income – Entity subject to significant influence, Canadair Québec Capital S.E.N.C.	–	53	9
Other expenses	1,016	716	862
	4,006	3,789	3,891

22. CHANGES IN OPERATING ASSETS AND LIABILITIES

	2008	2007	2006
Other assets	4,062	236	34,888
Interest due and accrued on borrowings	(1,157)	3,530	2,810
Other liabilities	13,352	4,698	(777)
Accumulated provision for losses	(49,069)	(98,106)	(62,886)
Accumulated provision for losses recoverable from the Government of Québec	43,680	90,276	51,036
	10,868	634	25,071

23. DERIVATIVE FINANCIAL INSTRUMENTS

When authorizing financing operations, the Corporation may require client companies to pay a stock option risk premium that varies with the nature of the risk. The Corporation also enters into futures contracts for the purchase or sale of financial instruments at set prices and future dates. Futures contracts are traded according to standardized amounts on organized exchanges and are subject to cash margins calculated on a daily basis.

The following table shows the fair value of the Corporation's portfolio of derivative financial instruments as at March 31, 2008, as represented by unrealized gains in the case of stock options and by unrealized gains or losses with regard to futures contracts.

			2008	2007
	Positive	Negative	Net amount	Net amount
Stock options	603	–	603	4,593
Stock put option	1,466	–	1,466	–
Foreign exchange options	1,195	–	1,195	1,221
Interest rate swaps	–	7,352	(7,352)	(3,536)
Publicly traded futures contracts	–	656	(656)	11
	3,264	8,008	(4,744)	2,289

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is intended to reflect the approximate amount for which financial instruments could be traded in an arm's length transaction between willing parties who are under no compulsion to act in the normal course of business. The best indication of fair value is the market price.

When available, the Corporation relies on market prices on the balance sheet date to determine the fair value of its financial instruments. When there are no markets or when the markets are not considered sufficiently liquid, the Corporation measures fair value using valuation methods and assumptions. Given the role that judgment plays in the application of many acceptable valuation and estimation techniques for calculating fair value, these techniques are not necessarily comparable among different entities. Fair value is based on market conditions at a given point in time and hence does not necessarily reflect the future fair value of instruments. It cannot be interpreted as a realizable amount upon immediate settlement of the instruments.

The following table provides the carrying value and estimated fair value of balance sheet financial instruments that were established using the valuation methods and assumptions described below. The fair values of assets and liabilities that are not considered financial instruments, such as fixed assets, finite life intangible assets, deferred benefits conferred by immigrant investors, and those not covered by the recommendations of the *CICA Handbook* section 3861, "Financial Instruments – Disclosure and Presentation," do not appear in the table.

	2008			2007		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash, bank overdraft and temporary investments	99,433	99,433	–	26,932	26,932	–
Investments	3,010,491	3,072,929	62,438	2,655,579	2,662,287	6,708
Loans, less accumulated provision for losses	560,561	729,817	169,256	770,827	711,223	(59,604)
Shares and units	57,489	83,737	26,248	309,337	65,983	(243,354)
Receivable guarantee fees, less accumulated provision for losses	115,232	123,198	7,966	–	–	–
Accumulated provision for losses and contributions recoverable from the Government of Québec – Benefits conferred to clients and other amounts	1,264,520	1,214,770	(49,750)	637,625	899,116	261,491
Stock options	603	603	–	4,593	4,593	–
Assets related to derivative financial instruments	2,661	2,661	–	1,221	1,221	–
Interest contributions from the Government of Québec	–	–	–	–	178,293	178,293
Other assets	4,181	4,181	–	18,288	18,288	–
	5,115,171	5,331,329	216,158	4,424,402	4,567,936	143,534
Liabilities						
Borrowings	4,034,172	4,105,794	(71,622)	3,780,126	3,521,690	258,436
Guarantee liability	250,683	392,357	(141,674)	172,924	297,388	(124,464)
Liabilities related to derivative financial instruments	7,352	7,352	–	3,536	3,536	–
Other liabilities	42,018	42,018	–	30,807	30,777	30
	4,334,225	4,547,521	(213,296)	3,987,393	3,853,391	134,002
			2,862			277,536

THE FAIR VALUE OF BALANCE SHEET FINANCIAL INSTRUMENTS WAS ESTIMATED USING THE FOLLOWING METHODS AND ASSUMPTIONS:

Cash, temporary investments, bank overdraft, short-term borrowings, and other assets and liabilities

Cash, temporary investments, bank overdraft, short-term borrowings and other assets and liabilities are recorded at their fair value. Their fair value is considered equal to their carrying value given the short-term nature of the instruments.

The fair value of due and accrued interest maturing in more than three months is estimated by discounting cash flows, using market interest rates for borrowings with similar terms and credit risks.

Investments
The fair value of security investments is based on market prices, established according to buyer price, on the balance sheet date. The fair value of notes receivable from the Government of Québec is estimated by discounting cash flows using market interest rates for investments with similar terms and credit risks.

Loans
The fair value of the loan portfolio is based on the assessment of interest rate risk and credit risk. The fair value of loans is estimated by discounting cash flows, using prevailing market interest rates for new loans with substantially the same repayment terms (the fair value of variable-rate loans and variable-repayment loans was deemed to be equal to the carrying value as at March 31, 2007). For impaired loans, the fair value is deemed to be equal to the carrying value, in accordance with the valuation methods described in note 2 under "Loans."

Shares and units
The fair value of shares and units is based on market prices, established according to buyer prices, on the balance sheet date, when they are available. The fair value of non-participating shares and preferred units with repayment terms is estimated by discounting cash flows, using prevailing market interest rates for new non-participating shares and preferred units with substantially the same repayment terms. With respect to other equity securities that are not traded on organized markets, the fair value, since it cannot be reasonably estimated, is deemed to be equal to the carrying value, which according to Management, did not diminish in value.

Receivable guarantee fees
The fair value of receivable guarantee fees is estimated by discounting cash flows at prevailing market interest rates for new debts with substantially the same repayment terms.

Accumulated provision for losses and contributions recoverable from the Government of Québec – Benefits conferred to clients
The fair value of the accumulated provision for losses on financing operations for which losses are assumed by the Government of Québec and contributions on these recoverables from the Government of Québec as benefits conferred to clients corresponds to the difference between the nominal value and the fair value of loans, shares and units and between the fair value of receivable guarantee fees and the fair value of the initial guarantee liability (the fair value of the accumulated provision for losses recoverable from the Government of Québec was based on the assessment of interest rate risk and credit risk as at March 31, 2007; it was estimated by discounting cash flows, which represented anticipated losses on financing operations, taking into account the Corporation's loss experience for financing operations with similar terms and credit risks, using the interest rates of the Government of Québec; the fair value of interest contributions from the Government was based on the assessment of interest rate risk and credit risk as at March 31, 2007; it was assessed by discounting cash flows, using the interest rates of the Government of Québec).

Derivative financial instruments
The fair value of derivative financial instruments is based on market prices, on the balance sheet date, when they are available. With respect to stock options that are not traded on organized markets, the fair value is based on the carrying value of the company concerned.

Borrowings
The fair value of fixed-rate long-term borrowings is based on market prices for debt securities with similar terms and credit risks. The fair value of variable-rate long-term borrowings is deemed to be equal to the carrying value.

Guarantee liability
The fair value of the guarantee liability is based on the assessment of interest rate risk and credit risk. It is estimated by discounting cash flows at guarantee fee rates and prevailing market interest rates for new guarantees with substantially the same terms. For guarantees in the case of insolvent companies or where insolvency seems likely in the short term, fair value is equal to the accumulated provision for losses, according to the valuation methods described in note 2 under "Guarantees."

25. INTEREST RATE SENSITIVITY

The Corporation provides a range of financial instruments with cash flows that are sensitive to interest rate fluctuations. Interest rate risk results from the inconsistency between the various cash flows, whether on or off balance sheet. The impact of this risk on the Corporation's financial results depends on interest rate fluctuations.

The Corporation's sensitivity to interest rate fluctuations as at March 31 is detailed as follows:

							2008
	Variable rate	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Not sensitive to interest rates	Total
Assets							
Cash and temporary investments	–	90,030	7,457	–	–	1,946	99,433
Effective interest rate		*3.2%*	*3.2%*				
Investments	–	143,333	401,833	2,270,274	4,102	190,974	3,010,516
Effective interest rate		*4.3%*	*4.1%*	*4.2%*	*4.2%*		
Interest-free loans	5,605	8,874	1,983	79,889	241,196	173	337,720
Effective interest rate		*9.0%*	*10.5%*	*8.9%*	*8.1%*		
Other loans, shares, units, and receivable guarantee fees	127,790	59	167	7,261	201,606	493,533	830,416
Effective interest rate		*15.0%*	*8.7%*	*11.3%*	*10.4%*		
Accumulated provision for losses on loans, shares, units, and receivable guarantee fees	–	–	–	–	–	(434,854)	(434,854)
Contribution as benefits conferred to clients and other amounts recoverable from the Government of Québec	–	–	–	–	–	810,910	810,910
Accumulated provision for losses recoverable from the Government of Québec	–	–	–	–	–	453,610	453,610
Other assets	–	–	–	–	–	11,032	11,032
	133,395	242,296	411,440	2,357,424	446,904	1,527,324	5,118,783
Liabilities and equity							
Interest-free borrowings	–	136,963	384,988	2,142,395	–	178,667	2,843,013
Effective interest rate		*4.3%*	*4.1%*	*4.2%*			
Interest-bearing borrowings	–	1,084,528	–	106,631	–	–	1,191,159
Effective interest rate		*3.9%*		*5.6%*			
Deferred benefits conferred by immigrant investors	–	–	–	–	–	223,670	223,670
Other liabilities	–	(131,262)	–	–	138,614	304,671	312,023
Equity	–	–	–	–	–	548,918	548,918
	–	1,090,229	384,988	2,249,026	138,614	1,255,926	5,118,783
Sensitivity gap	133,395	(847,933)	26,452	108,398	308,290	271,398	–
Guarantees [1]	–	–	–	–	–	1,984,273	1,984,273
Sensitivity gap	–	–	–	–	–	(1,984,273)	(1,984,273)
TOTAL 2008	133,395	(847,933)	26,452	108,398	308,290	(1,712,875)	(1,984,273)

							2007
Balance sheet financial instruments	233,292	(830,232)	15,388	11,509	316,253	253,790	–
Off-balance sheet financial instruments	–	–	–	–	–	(2,276,569)	(2,276,569)
TOTAL 2007	233,292	(830,232)	15,388	11,509	316,253	(2,022,779)	(2,276,569)

The effective interest rate represents the average weighted effective interest rate taking into consideration the rate modification date set out in the contract or the maturity date, whichever comes first.

(1) Guarantees recorded at nominal value.

26. RISK MANAGEMENT RELATED TO FINANCIAL OPERATIONS

In the normal course of business, the Corporation is exposed to different types of risks, namely: credit risk, market risk and liquidity risk. Risk management and control strategies, policies and processes, integrated with all operations, serve to optimize the risk-return ratio within the limits set by the Corporation.

CREDIT RISK

Credit risk is associated primarily with losses the Corporation could sustain or costs it could be required to assume as a result of a third party's inability to honour its financial commitments. The Corporation has tools enabling it to make sound decisions in its analysis and authorization of financing operations. It systematically monitors all financing operations by obtaining and analyzing each company's annual financial statements, producing an annual report on the evolution of each company, conducting a quarterly review of each risk category to establish the provision for losses and, in the case of companies in difficulty, updating the value of the securities.

The Corporation uses a system to classify companies according to the financial risk they represent, to make an initial risk assessment and match pricing to risk level, to follow changes in financing operations, and to monitor companies in difficulty.

Credit concentration risk is the probability that a significant portion of the financing operations outstanding is confined in a subset of the Corporation's portfolio. Such concentration could render the Corporation vulnerable to the difficulties experienced by a client company, an industry, a specific region or a financial product.

The credit risk as at March 31, 2008 was as follows:

	Loans, shares, units and receivables, less accumulated provision for losses	Guarantees, less accumulated provision for losses	Loan commitments – agreements accepted by clients	Guarantee commitments – agreements accepted by clients
BY SECTOR:				
Primary sector companies	9,525	9,802	605	3,635
Secondary sector companies				
Transportation equipment	294,314	1,549,552	84,646	512,922
Primary processing metals and metal products	82,894	39,568	94,841	17,995
Wood products	59,266	39,573	20,681	12,976
Paper	81,968	3,222	8,821	639
Other	143,316	133,714	51,093	66,063
	661,758	1,765,629	260,082	610,595
Tertiary sector companies	62,775	208,842	27,833	101,661
	734,058	1,984,273	288,520	715,891

WITH THE GOVERNMENT OF QUÉBEC:	
Loans, shares, units and receivables, less accumulated provision for losses	675,439
Guarantees, less guarantee liability	1,761,903
Contributions recoverable from the Government of Québec – Benefits conferred to clients and other amounts	810,910
Accumulated provision for losses recoverable from the Government of Québec	453,610
Financing commitments – Agreements accepted by clients:	
Loans	279,980
Guarantees	621,239

The credit risk as at March 31, 2007 was as follows:

	Loans, shares, units and receivables, less accumulated provision for losses	Guarantees, less accumulated provision for losses	Accumulated provision for losses recoverable from the Government of Québec
BY SECTOR:			
Primary sector companies	7,784	7,744	41,772
Secondary sector companies			
Transportation equipment	220,825	1,862,621	135,662
Paper	258,537	2,003	124,789
Primary processing metals and metal products	326,918	35,377	27,676
Other	176,967	167,119	168,229
	983,247	2,067,120	456,356
Tertiary sector companies	92,010	201,705	139,497
	1,083,041	2,276,569	637,625
WITH THE GOVERNMENT OF QUÉBEC:			
Financing operations for which losses are repaid by the Government of Québec	1,037,571	2,070,293	637,625

MARKET RISK

Market risk is the risk the Corporation faces if exchange rates, interest rates and the prices of the shares and options it holds become unfavourable and result in losses. To reduce foreign exchange risk, the Corporation uses derivative instruments when necessary. In managing interest rate risk, the Corporation uses the strategy of a natural matching of its assets and liabilities, namely by contracting its loans appropriately. In addition, it uses synthetic derivatives traded on capital markets to supplement the matching of interest rate structures to its assets and liabilities. This operation is supported by an internal interest rate risk management policy.

The Corporation holds funds invested in a diversified portfolio containing variable and fixed income products administered by external administrators under the investment policy of Investissement Québec and its subsidiaries. Fluctuations in the price of securities, interest rates and currencies are factors that may impact on the value of these investments. External administrators are mandated to mitigate these risks while complying with the policy. The Corporation assesses their performance regularly.

In fiscal 2007-2008, certain technological tools were implemented that allow the Corporation to more effectively manage its finances and the market risks that it takes.

LIQUIDITY RISK

Liquidity risk is associated with the Corporation's ability to obtain the necessary funds to honour its financial commitments. Liquidity risk also stems from difficulties the Corporation might experience in liquidating, where appropriate, certain assets acquired in the normal course of business.

Management of such risk is supported by an overall financing policy. In addition, the Corporation ensures that the largest cash inflows match cash outflows. The Corporation maintains a variety of financing sources and has a borrowing program for short- and long-term loans with the Ministère des Finances du Québec, as administrator of the Financing Fund. It also has short-term borrowing agreements with financial institutions. The amounts authorized under these programs and agreements are designed to cover contingencies.

27. FINANCING AND INVESTMENT COMMITMENTS

The Corporation's financing commitments, entered into in the normal course of business, are shown in the table below and are grouped into two categories. The first includes financing agreements authorized by the Corporation that have not yet been accepted by clients. The second includes financing agreements accepted by clients, that is, amounts not disbursed on loans, shares and units, amounts for which disbursement has not been authorized for financial contributions, and amounts that have not yet been used for guarantees. In addition, under agreements with certain partners, the Corporation has undertaken to invest, through units of limited partnerships, in the FIER-Regions, the mutual funds of FIER Partners and the Support Funds.

The total value of these commitments does not necessarily represent future cash requirements, as several will expire or may be cancelled without having resulted in disbursements.

The amounts of the commitments are as follows:

	Losses not repaid and contributions not assumed by the Government of Québec	Losses repaid and contributions assumed by the Government of Québec	2008 Total	2007 Total
FINANCING COMMITMENTS				
Authorized agreements awaiting acceptance by clients				
Loans	4,593	163,300	167,893	110,678
Guarantees	10,896	13,907	24,803	21,669
Financial contributions	2,869	45,791	48,660	56,283
	18,358	222,998	241,356	188,630
Agreements accepted by clients				
Loans [1] [2] [3] [4]	8,540	279,980	288,520	411,077
Guarantees	94,652	621,239	715,891	512,252
Financial contributions	146,878	110,570	257,448	256,850
	250,070	1,011,789	1,261,859	1,180,179
	268,428	1,234,787	1,503,215	1,368,809
INVESTMENT COMMITMENTS				
Units of limited partnerships				
FIER-Regions	–	85,097	85,097	124,342
FIER Partners, L.P.	–	77,876	77,876	85,633
Support Funds	–	2,579	2,579	8,956
	–	165,552	165,552	218,931
	268,428	1,400,339	1,668,767	1,587,740

Commitments denominated in US dollars stood at CDN$1.0 million as at March 31, 2008 ($69,375 as at March 31, 2007).

(1) Including $81.3 million of which the fixed contractual interest rates ranged from 3.25% to 9.22% with a term of 8 to 26 years.

(2) Including $45.1 million of which the interest rates vary.

(3) Including $161.4 million bearing no interest.

(4) Including $0.7 million for which the interest rates were not determined as at March 31, 2008.

28. OTHER COMMITMENTS

The Corporation has undertaken to pay fees totalling $43.4 million as at March 31, 2008 ($34.9 million as at March 31, 2007) to financial intermediaries for canvassing immigrant investors, targeting companies for referral and closing immigrant investor files.

The Corporation has further undertaken to pay financial contributions under the Employment Integration Program for Immigrants and Visible Minorities, administered by Emploi-Québec and intended for businesses. As at March 31, 2008 and 2007, the Corporation had no commitments in respect of these contributions.

29. PENSION PLANS

The employees of Investissement Québec participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan for Management (PPM). These intercompany plans have defined benefits and include retirement and death coverage. As at January 1, 2008, Investissement Québec's contribution rate for the RREGOP rose from 7.06% to 8.19% of employment earnings, whereas the contribution rate for the PPM rose from 7.78% to 10.54%. The contribution rate for the CSSP remained at 7.25%. Investissement Québec's obligations under these government plans are limited to employer contributions. Investissement Québec's contributions charged to income for the year amounted to $1.5 million ($1.4 million for the years ended March 31, 2007 and 2006).

The employer's liabilities under the supplementary pension plan consist in fully assuming benefits when beneficiaries retire. Accordingly, no contributions are paid by the employees or the employer. As at March 31, 2008, the employer's obligations amounted to $1.3 million ($1.2 million as at March 31, 2007; $0.1 million as at March 31, 2006) and appear under Other liabilities. The Corporation charged $0.1 million to income for the year ended March 31, 2008 ($1.1 million as at March 31, 2007; no cost as at March 31, 2006). The significant actuarial assumptions used by the Corporation to assess its accrued benefit obligations were as follows: the plan's expected rate of return was 5.75% and the salary growth rate was 3.50%.

The most recent actuarial valuation was completed on September 1, 2007. The next valuation is scheduled for May 1, 2008.

30. SICK LEAVE AND VACATION TIME PAYABLE

	2008	2007
Balance, beginning of year	10,887	10,319
Expense for the year	3,854	3,630
Amounts paid during the year	(3,123)	(3,062)
Balance, end of year	11,618	10,887

31. CONTINGENCIES

Under Order in Council 1393-2001 issued by the Government of Québec on November 21, 2001, 9109-3294 Québec inc., a subsidiary of Investissement Québec, acquired a piece of contaminated land in December 2001 for $1. Investissement Québec guarantees the environmental liability of this land. The Corporation has charged $7 million in liabilities as at March 31, 2008 in this regard. Furthermore, under the regulation in respect of the environment, the Corporation could be required to carry out additional decontamination work. As at March 31, 2008, the Corporation was unable to estimate the cost of such potential work. However, under its incorporating act, any potential losses stemming from this contingent liability will be assumed by the Government of Québec.

Various judicial and extrajudicial proceedings instituted by or against the Corporation are currently pending. In the Corporation's opinion, the outcome of these proceedings will not have a significant impact on its financial position or the results of its operations.

32. RELATED PARTY TRANSACTIONS

The Corporation is a related party to all the departments and special funds as well as to all agencies and corporations that are controlled directly or indirectly by the Government of Québec or are subject to either joint control or significant common influence by the Government of Québec. The Corporation's business transactions with these related parties were carried out in the normal course of business and under usual business conditions. All of these transactions have been recorded at the exchange amount and disclosed separately in the financial statements.

33. COMPARATIVE FIGURES

Certain figures from fiscal 2006 and 2007 have been reclassified to conform to the 2008 presentation. The figures from fiscal 2006 and 2007 are from financial statements audited by the Auditor General of Québec. Samson, Bélair/Deloitte & Touche s.e.n.c.r.l. was appointed co-auditor of the financial statements of the Corporation for fiscal 2008, under Order in Council 592-2007 dated August 1, 2007.

34. BALANCE SHEETS OF INVESTISSEMENT QUÉBEC AND ITS SUBSIDIARIES

	Investissement Québec non-consolidated	IQ Immigrants Investisseurs inc	IQ FIER inc.	Other subsidiaries	Eliminations & reclassifications [1]	2008 Consolidated total	2007 Consolidated total
ASSETS							
Cash	961	873	1	111	–	1,946	9,440
Temporary investments	8,454	65,324	23,709	–	–	97,487	17,492
Investments	–	2,876,799	133,692	25	–	3,010,516	2,655,603
Loans, less accumulated provision for losses	560,561	–	–	–	–	560,561	770,827
Shares	55,570	–	–	–	–	55,570	307,263
Units	1,919	–	–	–	–	1,919	2,074
Receivable guarantee fees, less accumulated provision for losses	115,232	–	–	–	–	115,232	–
Contributions recoverable from the Government of Québec – Benefits conferred to clients and other amounts	803,239	–	–	7,671	–	810,910	–
Accumulated provision for losses recoverable from the Government of Québec	453,610	–	–	–	–	453,610	637,625
Investments in subsidiaries, recorded using the equity method	39,273	–	–	–	(39,273)	–	–
Advances to subsidiaries	170,097	–	–	–	(170,097)	–	–
Other assets	9,788	1,694	192	570	(1,212)	11,032	110,828
	2,218,704	2,944,690	157,594	8,377	(210,582)	5,118,783	4,511,152
LIABILITIES AND EQUITY							
Liabilities							
Short-term borrowings	255,800	–	–	–	–	255,800	58,000
Long-term borrowings	1,114,026	2,664,346	–	–	–	3,778,372	3,722,126
Interest due and accrued on borrowings	17,747	–	–	–	–	17,747	18,904
Advances from the parent company	–	–	168,867	1,230	(170,097)	–	–
Guarantee liability	250,683	–	–	–	–	250,683	172,924
Deferred benefits conferred by immigrant investors	–	223,670	–	–	–	223,670	–
Other liabilities	31,530	5,558	711	7,006	(1,212)	43,593	29,813
	1,669,786	2,893,574	169,578	8,236	(171,309)	4,569,865	4,001,767
Equity							
Initial equity and share capital	32,944	1	1	3	(5)	32,944	32,944
Retained earnings (deficit)	511,446	46,587	(11,985)	138	(34,740)	511,446	476,441
Accumulated other comprehensive income	4,528	4,528	–	–	(4,528)	4,528	–
	548,918	51,116	(11,984)	141	(39,273)	548,918	509,385
	2,218,704	2,944,690	157,594	8,377	(210,582)	5,118,783	4,511,152
GUARANTEES, LESS GUARANTEE LIABILITY	1,984,273	–	–	–	–	1,984,273	2,276,569

(1) Eliminations related to balances and intercompany transactions and reclassifications.

35. STATEMENTS OF INCOME OF INVESTISSEMENT QUÉBEC AND ITS SUBSIDIARIES

	Investissement Québec non-consolidated	IQ Immigrants Investisseurs inc.	IQ FIER inc.	Other subsidiaries	Eliminations & reclassifications [1]	2008 Consolidated total	2007 Consolidated total
INTEREST INCOME							
Interest on financing operations	102,582	–	–	–	–	102,582	52,686
Interest on notes receivable from the Government of Québec	–	107,154	–	–	–	107,154	95,215
Interest on cash and temporary investments	92	787	458	–	–	1,337	1,145
Intercompany interest	112	–	(112)	–	–	–	–
Interest contributions from the Government of Québec	–	–	–	–	–	–	45,095
	102,786	107,941	346	–	–	211,073	194,141
INTEREST EXPENSE	66,341	106,321	–	–	–	172,662	51,857
NET INTEREST INCOME	36,445	1,620	346	–	–	38,411	142,284
OTHER INCOME							
Benefits conferred by immigrant investors	–	109,790	–	–	–	109,790	–
Guarantee fees	35,187	–	–	–	–	35,187	22,073
Risk premiums							
Stock options	852	–	–	–	–	852	2,720
Share-in-income and other premiums	6,046	–	–	–	–	6,046	9,132
Commitment fees	6,373	–	–	–	–	6,373	6,599
Fees – Related company, IQ Immigrants Investisseurs inc.	1,558	–	–	–	(1,558)	–	–
Other income	11,978	8,748	(7,560)	138	–	13,304	14,905
	61,994	118,538	(7,560)	138	(1,558)	171,552	55,429
	98,439	120,158	(7,214)	138	(1,558)	209,963	197,713
PROVISION							
Provision for losses	184,703	–	–	–	–	184,703	(4,899)
Provision for losses recoverable from the Government of Québec	(171,107)	–	–	–	–	(171,107)	8,253
	13,596	–	–	–	–	13,596	3,354
NON-INTEREST EXPENSES							
Financial contributions	117,996	53,512	–	9,651	–	181,159	69,535
Financial contributions assumed by the Government of Québec	(117,055)	–	–	(9,651)	–	(126,706)	(19,666)
Fees to financial intermediaries	–	50,540	–	–	–	50,540	39,545
Fees for the management of financial contribution files – Parent company	–	1,770	–	–	(1,770)	–	–
Administrative expenses	49,048	359	673	–	(84)	49,996	47,639
Other expenses	3,420	290	–	–	296	4,006	3,789
	53,409	106,471	673	–	(1,558)	158,995	140,842
NET INCOME BEFORE SHARE OF INCOME OF SUBSIDIARIES	31,434	13,687	(7,887)	138	–	37,372	53,517
Share of income of subsidiaries	5,938	–	–	–	(5,938)	–	–
NET INCOME	37,372	13,687	(7,887)	138	(5,938)	37,372	53,517
Net change in unrealized losses on available-for-sale financial assets	–	(3,371)	–	–	–	(3,371)	–
COMPREHENSIVE INCOME BEFORE SHARE OF COMPREHENSIVE INCOME OF SUBSIDIARIES	37,372	10,316	(7,887)	138	(5,938)	34,001	53,517
Share of comprehensive income of subsidiaries	(3,371)	–	–	–	3,371	–	–
COMPREHENSIVE INCOME	34,001	10,316	(7,887)	138	(2,567)	34,001	53,517

(1) Eliminations related to balances and intercompany transactions and reclassifications.

ADDITIONAL INFORMATION

ECONOMIC IMPACT

METHODOLOGY OF ECONOMIC IMPACT ASSESSMENT

Each year, Investissement Québec assesses the economic impact of the projects it finances and of its portfolio.[24] The methodology used is based on simulations carried out by the Institut de la statistique du Québec (ISQ), using its intersector input-output model, which reproduces the basic workings of the Québec economy. The economic impact, as reflected in jobs, added value and the tax and quasi-tax revenues of the Government of Québec, is presented by program. A number of validations are carried out, particularly to eliminate the double counting of companies having benefited from more than one program.

With data provided by Investissement Québec, the ISQ first assesses the economic impact of projects, i.e., the economic impact of the companies' expenditures in connection with the implementation of the projects financed by the Corporation during the year. Enlargement or construction of buildings, as well as the acquisition and installation of machinery or equipment are the two main segments of the ISQ model. In the calculations, project costs are broken down by type of expenditure: construction, equipment and machinery, professional fees and working capital. The assessment excludes the projects of businesses with a precarious financial position, as well as buyer-credits, which are, however, simulated in the assessment of the Corporation's portfolio.

With the ISQ model, it is possible to assess the required workload in person-years for project completion, whose simulated value in 2007-2008 amounted to $2.8 billion. According to ISQ simulations, the financed projects should require the equivalent of 28,056 person-years of work to be carried out. Workers employed (engineers, architects, construction workers, technicians and others) will thus generate tax and quasi-tax revenues, from salary withholding taxes, totalling $299.4 million for the Government of Québec.

The ISQ relies on data provided by Investissement Québec to assess the economic impact of the Corporation's portfolio as at March 31, 2008, by simulating the effects on annual sales subsequent to the implementation of projects financed by the Corporation in previous years. The ISQ's model assesses the workload that the completion of such sales represents for client companies and their suppliers, as well as the government revenues generated by salary withholding taxes. Accordingly, for fiscal 2007-2008, client company sales totalled nearly $36.3 billion. The completion of these sales translated into a workload of 312,101 person-years and tax and quasi-tax revenues of $2.9 billion for the Government of Québec over the same year.

Economic impact varies in scope from year to year based on portfolio movements (companies added or withdrawn), on the one hand, and the performance of financed companies and economic conditions, on the other.

Attributing Economic Impact to Investissement Québec

The Corporation does not take credit for all the tax and quasi-tax revenues generated by the investment projects it finances and its clients' sales. Since its financing operations must complement those of financial institutions, the attribution model takes into account only the portion of the impact generated by companies whose financial structure exceeds the risk threshold usually tolerated by lending institutions. For economic development tools, such as the Private Investment and Job Creation Promotion Fund (FAIRE), Strategic Support for Investment Program (PASI), Support for the Forest Industry Program (PSIF) and government mandates, another method is used according to which economic impact is attributed to the Corporation based on the probabilities that supported projects would have been discontinued without the Corporation's financial assistance or relocated outside Québec. These two attribution methods were developed by the Corporation in cooperation with ISQ experts, Ministère des Finances representatives and academics.

24 Including companies financed from 1988 to 2008 whose files are still administered by the Corporation. In light of the filing due date for the financial statements of the businesses, the assessments cover data for the period from July 1, 2006 to June 30, 2007.

In all cases, impact is weighted by various criteria so that Investissement Québec is credited only with projects that are likely to generate a net gain for the economy, and excludes projects that give rise only to a shift in economic activity within Québec. For fiscal 2007-2008, 36% of total revenues[25] from project implementation, or $106.9 million, was generated by projects attributable to Investissement Québec's financing operations, along with 30% of total sales-related revenues, or $873.4 million. Total revenues attributable to Investissement Québec, i.e., the aggregate revenues attributable to the Corporation's financed projects and portfolio amounted to $980.3 million.

The attribution model relies on objective assessments based on a rating system that compares a set of financial and economic parameters. The methodology and overall results have been presented on many occasions, for instance to the Association canadienne-française pour l'avancement des sciences (ACFAS) in 1997 and 1998, the Canadian Evaluation Association in 1999, the American Chamber of Commerce Research Association (ACCRA) in 2001, now known as the Council for Community and Economic Research (C2ER), and the Association de science régionale de langue française in 2002. In fact, the ACCRA bestowed an excellence award on Investissement Québec in June 2004 for its economic impact assessment methodology for the FAIRE program.

TOTAL ECONOMIC IMPACT

	2007-2008	2006-2007
IMPACT FROM IMPLEMENTATION OF FINANCED PROJECTS (*projects* segment)		
Value of simulated projects	$2,793.6 M	$3,946.0 M
Economic impact generated by these projects		
Jobs (workload in person-years)	28,056	41,682
Added value	$1,984.6 M	$2,787.0 M
Government of Québec revenues	$299.4 M	$457.6 M
IMPACT FROM SIMULATED SALES OF PORTFOLIO COMPANIES (*portfolio* segment)		
Value of simulated sales	$36,286.8 M	$33,912.4 M
Economic impact generated by these sales		
Jobs (workload in person-years)	312,101	304,443
Added value	$22,572.1 M	$21,445.1 M
Added value per job	$72,323	$70,440
Government of Québec revenues	$2,935.9 M	$2,757.1 M
TAX AND QUASI-TAX REVENUES ATTRIBUTABLE TO INVESTISSEMENT QUÉBEC		
From implementation of financed projects	$106.9 M	$150.5 M
From sales of portfolio companies	$873.4 M	$762.7 M
Total tax and quasi-tax revenues attributable to Investissement Québec	$980.3 M	$913.2 M
Costs [1]	$276.8 M	$69.5 M
Investissement Québec's cost-benefit ratio	3.54/1	13.14/1

(1) Costs were assessed according to accounting policies in effect as at March 31, 2007.

Input Value by Program

The following table illustrates input, which consists of the data related to client companies and their projects that were used in simulating economic impact for 2007-2008.

Since companies with a precarious financial position and buyer-credit financing are excluded, as the latter is simulated in the portfolio, the economic impact assessment of the projects segment takes into account 96% of the value of financed projects.

25 Includes tax and quasi-tax revenues.

The economic impact assessment of the portfolio segment is based on the sales of companies financed since 1988 with files that are still active and administered by the Corporation. The assessment included only companies whose most recent financial statements available at the time of the assessment were for fiscal years ended between July 1, 2006 and June 30, 2007. Consequently, this year's analysis covers a 92% sample of the companies in the Corporation's portfolio.

INPUT VALUE, 2007-2008

	Projects		Portfolio		
				Authorized Financing	
Program or Program Segment	Simulated Value ($M)	Sample Size [1]	Sales ($M)	Total ($M)	Sample ($M)
COMPLEMENTARY FINANCING					
SMB FINANCIAL					
Production and alliance					
Investment	154.4	100%	2,817.3	229.8	215.9
Consolidation	29.7	100%	634.3	33.9	33.1
Tourism	27.0	91%	89.8	26.5	22.9
Research and development	335.9	87%	337.7	45.6	35.7
Exports	158.3	92%	2,532.2	190.7	186.1
Working capital					
Growth	34.3	98%	872.8	43.1	41.1
Ad hoc 1	n/a	n/a	17.1	0.9	0.9
Ad hoc 3	n/a	n/a	226.1	17.2	16.6
Turnaround	–	0%	90.6	5.7	5.7
Succession	54.7	98%	293.5	29.4	25.0
Experimentation measures [2]	34.0	98%	115.7	16.3	15.0
SPECIFIC PROGRAMS					
Cooperatives	28.4	100%	963.8	88.7	87.6
NPOs	29.2	100%	543.0	107.2	106.0
SMB Spark	n/a	n/a	138.7	9.1	7.5
ECONOMIC DEVELOPMENT TOOLS					
Biolevier	n/a	n/a	63.3	99.9	92.9
PASI	857.8	100%	7,142.8	211.2	204.2
FAIRE	n/a	n/a	15,669.1	1,096.2	1,034.4
Government mandates	14.4	100%	2,320.5	2,504.2	2,504.2
Immigrant Investor	659.7	99%	10,268.0	219.8	206.3
PSIF	375.8	100%	1,517.4	118.0	110.8
TOTAL [3]	**2,793.6**	**96%**	**36,286.8**	**5,093.4**	**4,951.9**

(1) The sample size represents the portion of the project's simulated value in relation to the total value of authorized projects.

(2) Economic Projects Support Program (PSPE) operations were combined with experimentation measures.

(3) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns in this table do not represent the total amounts accounted for.

ECONOMIC IMPACT BY PROGRAM

This section presents economic impact in terms of jobs, added value, and the tax and quasi-tax revenues of the Government of Québec.

Jobs

The data in the table below show the economic impact of Investissement Québec's activities in terms of jobs, i.e., the equivalent workload in person-years required to implement the projects financed in 2007-2008 by the Corporation and to complete the sales of portfolio companies for the same period.

JOBS[1] BY PROGRAM OR PROGRAM SEGMENT, 2007-2008

	Projects			Portfolio		
Program or Program Segment	Direct Jobs	Indirect Jobs	Total	Direct Jobs	Indirect Jobs	Total
COMPLEMENTARY FINANCING						
SMB FINANCIAL						
Production and alliance						
Investment	903	474	1,377	15,094	8,178	23,272
Consolidation	176	115	291	3,927	1,823	5,750
Tourism	182	96	278	1,408	276	1,684
Research and development	3,805	1,204	5,009	2,287	958	3,245
Exports	1,218	517	1,735	15,561	7,636	23,197
Working capital						
Growth	216	93	309	5,109	2,834	7,943
Ad hoc 1	n/a	n/a	n/a	100	61	161
Ad hoc 3	n/a	n/a	n/a	1,348	666	2,014
Turnaround	–	–	–	515	230	745
Succession	310	220	530	1,948	797	2,745
Experimentation measures [2]	194	103	297	507	307	814
SPECIFIC PROGRAMS						
Cooperatives	196	94	290	7,074	3,229	10,303
NPOs	214	107	321	33,253	3,634	36,887
SMB Spark	n/a	n/a	n/a	957	432	1,389
ECONOMIC DEVELOPMENT TOOLS						
Biolevier	n/a	n/a	n/a	569	203	772
PASI	6,018	2,661	8,679	30,122	18,414	48,536
FAIRE	n/a	n/a	n/a	67,833	41,394	109,227
Government mandates	92	42	134	6,519	5,271	11,790
Immigrant Investor	3,746	1,962	5,708	58,669	31,418	90,087
PSIF	1,936	1,162	3,098	6,336	6,037	12,373
TOTAL [3]	**19,206**	**8,850**	**28,056**	**207,150**	**104,951**	**312,101**

Source: ©Government of Québec, Investissement Québec (2008), compiled using the Québec intersector input-output model, property of the Institut de la statistique du Québec.

(1) Workload, in person-years, required to complete sales by client companies and their suppliers.
(2) Economic Projects Support Program (PSPE) operations were combined with experimentation measures.
(3) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns in this table do not represent the total amounts accounted for.

Added Value

Added value represents total compensation in respect of inputs, namely salaries and wages before taxes, net income of companies and other gross income before taxes. A company generates added value when it makes investments or transforms raw materials, goods or components with Québec content. Added value is also calculated on the basis of the sales of the company and its suppliers.

ADDED VALUE BY PROGRAM OR PROGRAM SEGMENT, 2007-2008

Program or Program Segment	Projects ($M)	Portfolio ($M)	Portfolio Productivity (Added Value per Job) ($)
COMPLEMENTARY FINANCING			
SMB FINANCIAL			
Production and alliance			
Investment	103.9	1,710.9	73,516
Consolidation	23.9	370.5	64,436
Tourism	19.9	73.4	43,578
Research and development	270.4	222.8	68,638
Exports	132.1	1,577.0	67,982
Working capital			
Growth	21.7	537.6	67,685
Ad hoc 1	n/a	13.2	82,334
Ad hoc 3	n/a	155.4	77,194
Turnaround	–	53.2	71,442
Succession	40.9	181.7	66,191
Experimentation measures [1]	25.5	68.9	84,715
SPECIFIC PROGRAMS			
Cooperatives	20.9	629.8	61,128
NPOs	21.1	1,000.4	27,122
SMB Spark	n/a	95.5	68,727
ECONOMIC DEVELOPMENT TOOLS			
Biolevier	n/a	47.7	61,845
PASI	593.3	3,795.0	78,190
FAIRE	n/a	9,493.2	86,912
Government mandates	12.8	1,181.5	100,212
Immigrant Investor	440.0	6,397.2	71,012
PSIF	258.2	1,050.1	84,870
TOTAL [2]	**1,984.6**	**22,572.1**	**72,323**

Source: © Government of Québec, Investissement Québec (2008), compiled using the Québec intersector input-output model, property of the Institut de la statistique du Québec.

(1) Economic Projects Support Program (PSPE) operations were combined with experimentation measures.

(2) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns in this table do not represent the total amounts accounted for.

Government of Québec Revenues

The economic impact on tax and quasi-tax revenues is detailed in the following table. It consists of taxes on salaries and wages as well as contributions paid to the Commission de la santé et de la sécurité du travail, the Fonds des services de santé and the Régie des rentes du Québec. The assessment takes into account only Government of Québec revenues and excludes those from other levels of government and corporate taxes.

GOVERNMENT OF QUÉBEC REVENUES BY PROGRAM OR PROGRAM SEGMENT, 2007-2008

	Tax Revenues ($M)		Quasi-tax Revenues ($M)		Total ($M)
Program or Program Segment	Projects	Portfolio	Projects	Portfolio	
COMPLEMENTARY FINANCING					
SMB FINANCIAL					
Production and alliance					
Investment	6.4	90.7	9.8	145.5	252.4
Consolidation	1.8	20.8	1.7	31.7	56.0
Tourism	1.2	3.1	2.0	5.8	12.1
Research and development	16.7	14.6	23.6	19.2	74.1
Exports	8.0	89.0	9.3	135.8	242.1
Working capital					
Growth	1.2	29.7	1.8	46.9	79.6
Ad hoc 1	n/a	0.7	n/a	1.0	1.7
Ad hoc 3	n/a	9.0	n/a	12.6	21.6
Turnaround	–	2.9	–	4.1	7.0
Succession	3.1	9.2	3.1	15.9	31.3
Experimentation measures [1]	1.6	3.5	2.0	5.4	12.5
SPECIFIC PROGRAMS					
Cooperatives	1.2	31.1	2.1	50.1	84.5
NPOs	1.3	43.8	2.3	88.6	136.0
SMB Spark	n/a	5.9	n/a	8.1	14.0
ECONOMIC DEVELOPMENT TOOLS					
Biolevier	n/a	2.7	n/a	3.6	6.3
PASI	36.1	218.7	54.4	306.2	615.4
FAIRE	n/a	489.2	n/a	683.8	1,173.0
Government mandates	0.8	58.3	0.8	69.9	129.8
Immigrant Investor	27.1	331.6	42.4	536.8	937.9
PSIF	15.2	52.6	22.4	89.6	179.8
TOTAL [2]	121.7	1,176.0	177.7	1,759.9	3,235.3

Source: © Government of Québec, Investissement Québec (2008), compiled using the Québec intersector input-output model, property of the Institut de la statistique du Québec.

(1) Economic Projects Support Program (PSPE) operations were combined with experimentation measures.

(2) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns in this table do not represent the amounts accounted for.

FINANCIAL PRODUCTS AND TAX MEASURES MANAGED BY INVESTISSEMENT QUÉBEC

SMB FINANCIAL

Loan or loan guarantee program serving to help finance investment, innovation, strategic alliance, export and succession projects carried out by small and medium-sized businesses in the manufacturing, new economy and tourism sectors. This program also allows companies in need of liquidity to temporarily finance tax credits to which they are entitled under the tax measures in effect.

PROGRAM TO PROMOTE FINANCING OF GROUP ENTREPRENEURSHIP

Program to promote the creation, maintenance and development of social economy enterprises by granting financial assistance for non-profit organizations, cooperative enterprises or their subsidiaries.

PROGRAM TO PROMOTE THE CAPITALIZATION OF SOCIAL ECONOMY ENTERPRISES

Program to support the capitalization of non-profit organizations and cooperative enterprises.

STRATEGIC SUPPORT FOR INVESTMENT PROGRAM (PASI)

Financial support program designed to support developmental and strategic investment projects as well as product development in Québec in order to increase productivity and create jobs. It allows companies to benefit from a repayable or non-repayable financial contribution or to obtain a loan guarantee to carry out their projects.

SUPPORT FOR THE FOREST INDUSTRY PROGRAM (PSIF)

Program designed to support the consolidation of, investment in and modernization of forest sector companies. It offers financial assistance to forest management (harvesting and silvicultural activities) companies, pulp and paper companies and wood processing companies, as well as interim financing of repayable tax credits for the construction of access roads and public bridges in forest areas.

IMMIGRANT INVESTOR PROGRAM–FOR BUSINESS ASSISTANCE

Program to foster economic development by reinvesting in Québec companies some of the income generated by investments entrusted by immigrant investors to IQ Immigrants Investisseurs inc., a subsidiary of Investissement Québec.

BUYER-CREDIT

Loan guarantee specifically designed to support the sale of goods by Québec companies to foreign entities.

TAX MEASURES

Assessment of business eligibility applications and production of annual eligibility certificates for refundable tax credits.

REGIONAL ECONOMIC INTERVENTION FUND (FIER)

Fund designed to help companies obtain financing during the start-up, development, turnaround and succession stages. It also supports the creation of sector-based funds and start-up funds as well as the implementation of developmental projects, mainly in the regions. It includes three segments: Support Funds, FIER-Regions and FIER Partners.

CODE OF ETHICS OF THE BOARD OF DIRECTORS

Pursuant to Order in Council 824-98 concerning the ethics of public directors adopted by the government on June 17, 1998, the members of the Board of Directors of Investissement Québec adopted a code of ethics during their meeting of September 26, 2000. Updated on May 29, 2007, the code contains principles that reflect the Corporation's mission, core values and general management principles.

GENERAL PROVISIONS

1. This code applies to any person appointed to the Board of Directors of Investissement Québec.
2. The members support and contribute to Investissement Québec's mission, as described in section 25 of the *Act respecting Investissement Québec and La Financière du Québec* (R.S.Q., c. I-16.1), namely:

   "The mission of the [Corporation] is to facilitate the growth of investment in Québec and thus contribute to the economic development of Québec and the creation of employment opportunities.

   The [Corporation] shall centralize and consolidate the actions of the State to seek out, promote and support investment, and shall become the main channel for communications with the enterprises concerned.

   The [Corporation] shall strive to stimulate domestic investment and to attract investors from outside Québec. It shall promote Québec among investors as a propitious location for investment, offer investors orientation services to guide them in their dealings with the Government, and provide them [...] with financial and technical support.

   The [Corporation] shall participate in the growth of enterprises, in particular by facilitating research and development and export activities.

   The [Corporation] shall also work to retain current investment in Québec by providing [...] support [...] to enterprises established in Québec that show particular dynamism or potential."
3. The members adhere to the values and general management principles underlying Investissement Québec's activities: client focus, proactive approach, competence, commitment, integrity, efficiency and effectiveness.

RULES OF ETHICS

4. Any member who performs duties on a full-time basis within Investissement Québec may not have a direct or indirect interest in a body, enterprise or association that places the member's personal interests in conflict with those of Investissement Québec. If such interests devolve to a member, including by succession or gift, he shall renounce them or dispose thereof with haste.

   Any other member who has a direct or indirect interest in a body, enterprise or association that places his personal interests in conflict with those of Investissement Québec shall disclose such interests in writing to the Chair of the Board of Directors and, where appropriate, abstain from participating in any discussion or decision involving that body, enterprise or association. He shall also withdraw from a meeting for the duration of the discussion or vote on such a matter.

   This article does not, however, prevent a member of the Board from expressing an opinion on general measures relating to working conditions at Investissement Québec, which would also apply to the member.
5. Revoked.
6. Any member who provides, or whose partner provides, professional services for a fee or other consideration to a company, shall abstain, throughout the period in which the services are provided, from communicating with the personnel of Investissement Québec in respect of any financial transaction involving this company and the Corporation. This prohibition is applicable during the year following the termination of the member's mandate.
7. A member may not be designated an Investissement Québec managing director for a company.

8. Members shall exercise discretion regarding any information obtained as part of or while exercising their duties and shall at all times respect the confidential nature of such information.

   This obligation shall not prevent a member representing or related to a particular interest group from consulting or reporting to the group, unless the information is confidential under the law or the Board of Directors requires that such information be kept confidential.

9. A member is considered to have a conflict of interest when he, his heirs or spouse have, to his knowledge, (i) an interest in a client company of Investissement Québec that is a closed company within the meaning of the *Securities Act* (R.S.Q., V-1.1), (ii) an interest of ten percent or more in the voting share capital of a client company of Investissement Québec that is not a closed company within the meaning of the *Securities Act* (R.S.Q., V-1.1).

10. A member is considered to have a conflict when the Board is seized of a matter concerning his company, his competitor, the company of a client or that of a relation, or a matter of a company that has received a letter of intent or a letter of offer from an entity of which he is a director or an employee.

11. A member may not accept a gift or other benefits, unless they are customary or of modest value. Any other gift or benefit received shall be returned to the donor or remitted to Investissement Québec.

12. A member may not, directly or indirectly, grant, solicit or accept a favour or undue benefit, for himself or a third party, from a company that has business relations with Investissement Québec.

13. A member shall, in making his decisions, avoid being influenced by job offers.

14. A member who no longer holds his position shall behave in a manner so as not to take undue advantage of his former position at Investissement Québec.

15. A member who no longer holds his position shall not disclose any confidential information he has obtained or give advice to anyone based on information that is not available to the public concerning Investissement Québec. This prohibition is applicable during the year following the termination of his mandate.

16. A Governance and Ethics Committee has been set up in accordance with the provisions of Investissement Québec's bylaws and the *Act respecting the governance of state-owned enterprises and amending various legislative provisions* (2006, chapter 59). The Committee meets at least twice a year and its functions include:

    (a) developing a code of ethics of the members of the Board of Directors of Investissement Québec;

    (b) examining, at the request of the Chair of the Board of Directors of the Corporation, any question related to the interpretation or application of this code;

    (c) enquiring into any matter the Board of Directors submits to it and presenting, where relevant, its report to the Board of Directors.

17. The Board of Directors of Investissement Québec carries out the following duties:

    (a) approves the code of ethics of the members of the Board of Directors of Investissement Québec as well as any amendments made thereto;

    (b) appoints the members and the Chair of the Governance and Ethics Committee.

STATEMENT RELATED TO VARIOUS REGULATIONS

LANGUAGE POLICY

The Corporation applies the language policy adopted by the Board of Directors on September 25, 2001, which is based on the *Charter of the French Language*, the government's language policy, the policy concerning government contracts and the policy regarding the use of French in information technologies. This policy is available on the Corporation's web site.

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Telephone: 418 689-2549

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1406, rue Michaud
Drummondville (Québec) J2C 7V3
Telephone: 819 478-9675

GATINEAU
4, rue Taschereau, bureau 390
Gatineau (Québec) J8Y 2V5
Telephone: 819 772-3211

LAVAL
3030, boul. Le Carrefour, bureau 801
Laval (Québec) H7T 2P5
Telephone: 450 680-6161

LONGUEUIL
1010, rue Sérigny, bureau 310
Longueuil (Québec) J4K 5G7
Telephone: 450 928-5688

MONTRÉAL
East Island of Montréal
7100, rue Jean-Talon Est, bureau 1250
Montréal (Québec) H1M 3S3
Telephone: 514 873-9292

West Island of Montréal
393, rue Saint-Jacques, bureau 500
Montréal (Québec) H2Y 1N9
Telephone: 514 873-4375
1 800 461-2433

SAINT-LAURENT
3300, boulevard de la Côte-Vertu, bureau 210
Montréal (Québec) H4R 2B7
Telephone: 514 873-1401

QUÉBEC CITY (HEAD OFFICE)
1200, route de l'Église, bureau 500
Québec (Québec) G1V 5A3
Telephone: 418 643-5172
1 888 322-6466

RIMOUSKI
70, rue Saint-Germain Est, bureau 100
Rimouski (Québec) G5L 7J9
Telephone: 418 727-3582

ROUYN-NORANDA
170, rue Principale, bureau 202
Rouyn-Noranda (Québec) J9X 4P7
Telephone: 819 763-3300

SAGUENAY
3950, boulevard Harvey, 2e étage
Saguenay (Québec) G7X 8L6
Telephone: 418 695-7865

SAINT-GEORGES
11535, 1re Avenue, bureau 303
Saint-Georges (Québec) G5Y 7H5
Telephone: 418 222-5768

SEPT-ÎLES
454, avenue Arnaud
Sept-Îles (Québec) G4R 3A9
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200, rue Belvédère Nord, bureau 3.10
Sherbrooke (Québec) J1H 4A9
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